# Burjeel Holdings PLC

DIRECTOR’S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

# Burjeel Holdings PLC

DIRECTOR’S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

# DIRECTOR'S REPORT
For the year ended 31 December 2023

The Directors of Burjeel Holdings PLC (the "Company") and its subsidiaries (collectively referred to as the "Group") have pleasure in submitting their report, together with the audited consolidated financial statements for the year ended 31 December 2023.

**Principal activity**
The principal activity of the Company is to act as a holding company for the entities within the Group. The principal activities of the subsidiaries are to provide multi-speciality hospitals, medical, surgical and dental services and sale of pharmaceutical goods and medical equipment.

**Results**

| | *2023* *AED* | *2022* *AED* |
|---|---|---|
| Revenue | 4,535,007,633 | 3,924,010,647 |
| Total comprehensive income for the year | 540,414,769 | 354,579,393 |

**Directors**
The Directors of the Company as of 31 December 2023 are as follows:

Dr. Shamsheer Vayalil (Appointed – 07-Jan-2020)
H.E. Ahmed Jasim Yousuf Naser Alzaabi (Appointed - 08-Sep-2022)
H.E. Dr Thani bin Ahmed Al Zeyoudi (Appointed - 08-Sep-2022)
Mr. Omran Mohammed Saleh Al Khoori (Appointed - 08-Sep-2022)
Dr. Ghuwaya Mohammed Khuwaidem Abdulla Al-Neyadi (Appointed - 08-Sep-2022)
Dr. Mohan Chellappa (Appointed - 08-Sep-2022)
Mr. Mohd Loay T A Abdelfattah (Appointed - 19-Sep-2022)

**Directors' statement to the disclosure to auditors**
In so far as the Directors are aware, there is no relevant information of which the Group's auditors are unaware.

The Group's auditors have been provided with access to all information of which we are aware that is relevant to the preparation of consolidated financial statements.

**Auditors**
A resolution to reappoint Ernst and Young as auditors for the ensuing year will be put to the shareholder at Annual General Meetings.

Dr. Shamsheer Vayalil Parambath
Chairman

# Burjeel Holdings PLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

# BURJEEL HOLDINGS PLC

## Report on the Audit of the Consolidated Financial Statements

*Opinion*
We have audited the consolidated financial statements of Burjeel Holdings PLC (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

*Basis for opinion*
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Abu Dhabi Global Market ("ADGM"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key audit matters*
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

**BURJEEL HOLDINGS PLC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

*Revenue recognition*
Revenue recognition is considered to be a key area of focus given that revenue is material and an important determinant of the Group's performance and profitability. The Group recognises revenue from a number of revenue streams relating to its healthcare segments including hospitals, medical centres and pharmacies revenues. Given the magnitude of the amount, volume of transactions and diversity of operations, we consider revenue recognition to be a key audit matter. During the year ended 31 December 2023, total revenue of the Group amounted to AED 4,535,007,633 (2022: AED 3,924,010,647) (note 3).

To address the above risk, we performed the following procedures among others:

- Reviewed the Group's revenue recognition policy as per IFRS 15, Revenue from contracts with customers and assessed its appropriateness;
- Understood the design of the internal controls surrounding the revenue recognition process;
- Performed substantive testing over transactions on a sample basis and tested their occurrence, accuracy and recognition, by tracing them back to supporting documents;
- Performed correlation analysis between revenue and trade receivables and performed analytical review procedures on revenue based on monthly sales and profit margins;
- Performed cut off procedures by selecting a sample of transactions before and after the year end to evaluate the recognition in the current reporting period;
- Tested journal entries on a sample basis, based on revenue related risk profiles (such as amounts, posting date, adjustments) to identify any instances of management override; and
- Evaluated the adequacy of disclosures relating to revenue.

*Provision for expected credit losses*
At 31 December 2023, gross trade receivables amounted to AED 2,187,419,636 (2022: AED 1,756,444,534) against which provision for expected credit loss ("ECL") of AED 786,671,761 (2022: AED 704,675,768) was recorded (note 12). The gross trade receivables represent 42% of the total assets presented in the consolidated financial statements. The Group assesses at each reporting date whether the financial assets carried at amortised cost are credit-impaired. Management has applied the simplified approach for measurement of ECL for trade receivables. The ECL model involves the use of various assumptions, historical trends relating to the Group's trade collections experience and other specific factors. The Group exercises significant judgement when determining both when and how much to record as the ECL.

We have considered ECL as key audit matter given the size of trade receivables and the identification of significant delays in the collection of trade receivables which results in the application of significant auditor judgement regarding the accounting estimates made by management in determining the ECL.

The Group's disclosures included in note 2 of the consolidated financial statements outline the accounting policy and significant estimates made and judgements applied for determining the ECL.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

**BURJEEL HOLDINGS PLC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

*Provision for expected credit losses* continued
We performed the following procedures in relation to the provision for expected credit losses:

- We obtained an understanding of the process and identified the relevant controls over the measurement and determination of the allowance for ECL;
- We compared the ECL model developed by management against the requirements of IFRS 9 and reviewed the methodology against accepted best practice;
- We tested the arithmetical accuracy of the model;
- We performed procedures on individually significant balances, such as substantiating transactions with underlying documents, including inspecting contracts, tracing subsequent receipts to the bank statements and inspecting the underlying invoices, to obtain evidence for the existence and valuation of the recorded receivables;
- We tested key assumptions, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data;
- We compared the results of the output of the ECL model developed by management to the amounts reported in the consolidated financial statements; and
- We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

*Other information*
Other information consists of the information included in the Board of Directors' report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of our audit report and we expect to obtain the annual report after the date of our auditor's report. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

*Responsibilities of management and the Board of Directors for the consolidated financial statements*
The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association, Companies Regulation 2020 of Abu Dhabi Global Market (ADGM), and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group'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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

**BURJEEL HOLDINGS PLC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

*Auditor's responsibilities for the audit of the consolidated financial statements*
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the consolidated 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 Auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

**BURJEEL HOLDINGS PLC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

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

**Report on Other Legal and Regulatory Requirements**

i) the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Regulations 2020 of ADGM; and

ii) the financial information included in the Director's report is consistent with the books of account and records of the Group.

Signed by
Anthony O' Sullivan
Partner
Ernst & Young

06 March 2024
Abu Dhabi

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

| | *Notes* | ***2023 AED*** | *2022 AED* |
|---|---|---|---|
| Revenue | 3 | **4,535,007,633** | 3,924,010,647 |
| Doctors' and employees' salaries and emoluments | 4 | **(1,947,204,275)** | (1,701,419,442) |
| Inventories consumed | 11 | **(1,095,884,743)** | (904,165,996) |
| Depreciation of property and equipment | 8 | **(231,120,296)** | (247,401,883) |
| Amortisation of intangible assets | 9 | **(5,109,438)** | (4,151,114) |
| Depreciation of right-of-use assets | 18 | **(115,426,280)** | (102,834,722) |
| Provision for expected credit losses | 12 | **(84,113,351)** | (65,127,796) |
| Other expenses | 6 | **(414,405,193)** | (396,770,422) |
| **OPERATING PROFIT FOR THE YEAR** | | **641,744,057** | 502,139,272 |
| Finance costs | 5 | **(141,320,558)** | (210,970,393) |
| Interest income from related parties | 19 | **-** | 42,190,735 |
| Change in fair value of financial assets carried at fair value through profit and loss | 22 | **15,642,567** | - |
| Other income | | **6,157,593** | - |
| Share of profit from associates | 21 | **18,191,110** | 21,219,779 |
| **PROFIT FOR THE YEAR** | | **540,414,769** | 354,579,393 |
| Other comprehensive income | | **-** | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **540,414,769** | 354,579,393 |
| **Profit for the year and total comprehensive income for the year attributable to:** | | | |
| Equity holders of the Parent | | **516,192,124** | 338,142,826 |
| Non-controlling interests | 27 | **24,222,645** | 16,436,567 |
| | | **540,414,769** | 354,579,393 |
| *Earnings per share attributable to the equity holders of the Parent:* | | | |
| Basic and diluted earnings per share | 26 | **0.10** | 0.06 |

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2023

| | *Notes* | *2023 AED* | *2022 AED* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 8 | **1,914,555,641** | 2,001,503,707 |
| Intangible assets | 9 | **18,873,594** | 7,278,837 |
| Right-of-use assets | 18 | **1,010,791,935** | 1,018,557,484 |
| Capital work in progress | 10 | **39,916,220** | 23,281,616 |
| Investment in associates | 21 | **28,663,675** | 29,072,565 |
| Term deposits | | **2,552,500** | 2,552,500 |
| | | **3,015,353,565** | 3,082,246,709 |
| **Current assets** | | | |
| Inventories | 11 | **261,272,228** | 239,850,836 |
| Accounts receivable and prepayments | 12 | **1,634,119,073** | 1,189,737,105 |
| Amounts due from related parties | 19 | **23,793,148** | 23,338,218 |
| Financial asset carried at fair value through profit and loss | 22 | **36,862,062** | - |
| Bank balances and cash | 13 | **170,004,976** | 149,962,481 |
| | | **2,126,051,487** | 1,602,888,640 |
| **TOTAL ASSETS** | | **5,141,405,052** | 4,685,135,349 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14(a) | **520,513,417** | 520,513,417 |
| Share premium | 14(c) | **366,854,049** | 366,854,049 |
| Other reserve | 14(d) | **3,039,504** | 3,039,504 |
| Shareholder's contribution | 14(e) | **3,553,665** | 3,553,665 |
| Retained earnings | | **615,624,704** | 194,686,535 |
| **Equity attributable to equity holders of the parent** | | 1,509,585,339 | 1,088,647,170 |
| **Non-controlling interests** | 27 | 47,471,593 | 29,199,928 |
| **Total equity** | | **1,557,056,932** | 1,117,847,098 |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | 16 | **782,086,391** | 903,820,385 |
| Lease liabilities | 18 | **1,062,444,262** | 1,077,976,668 |
| Employees' end of service benefits | 15 | **151,117,100** | 121,447,629 |
| Derivative financial instrument | 25 | **30,396,005** | 28,374,631 |
| | | **2,026,043,758** | 2,131,619,313 |
| **Current liabilities** | | | |
| Accounts payable and accruals | 17 | **1,029,363,696** | 945,477,127 |
| Lease liabilities | 18 | **107,362,123** | 97,632,216 |
| Interest bearing loans and borrowings | 16 | **381,911,515** | 356,971,713 |
| Amounts due to related parties | 19 | **39,667,028** | 35,587,882 |
| | | **1,558,304,362** | 1,435,668,938 |
| **Total liabilities** | | **3,584,348,120** | 3,567,288,251 |
| **TOTAL EQUITY AND LIABILITIES** | | **5,141,405,052** | 4,685,135,349 |

Mr. John Sunil
Chief Executive Officer

Mr. Muhammed Shihabuddin
Chief Financial Officer

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | *Attributable to the Equity holders of the parent* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Share capital AED* | *Shareholders' account AED* | *Share premium AED* | *Other reserve AED* | *Shareholder's contribution AED* | *Retained earnings (accumulated losses) AED* | *Total AED* | *Non-controlling interest AED* | *Total equity AED* |
| As at 1 January 2022 | 734,000 | 532,963,590 | - | 2,889,504 | 19,684,559 | (192,832,640) | 363,439,013 | 17,763,361 | 381,202,374 |
| Profit for the year | - | - | - | - | - | 338,142,826 | 338,142,826 | 16,436,567 | 354,579,393 |
| Total comprehensive income for the year | - | - | - | - | - | 338,142,826 | 338,142,826 | 16,436,567 | 354,579,393 |
| Additional contribution (Note 14(e)) | - | - | - | - | 300,000 | - | 300,000 | - | 300,000 |
| Increase in share capital (Note 14(a)) | 549,266,000 | (532,835,106) | - | - | (16,430,894) | - | - | - | - |
| Reduction in share capital (Note 14(a)) | (49,526,349) | - | - | - | - | 49,526,349 | - | - | - |
| Issuance of share capital (Note 14(a)) / (Note 14(c)) | 20,039,766 | - | 380,755,564 | - | - | - | 400,795,330 | - | 400,795,330 |
| Equity issuance costs (Note 14(c)) | - | - | (13,901,515) | - | - | - | (13,901,515) | - | (13,901,515) |
| Dividend paid to non-controlling interest | - | - | - | - | - | - | - | (5,000,000) | (5,000,000) |
| Transferred to statutory reserve (Note 14(d)) | - | - | - | 150,000 | - | (150,000) | - | - | - |
| Movement in shareholder's account, net (Note 14(b)) | - | (128,484) | - | - | - | - | (128,484) | - | (128,484) |
| As at 31 December 2022 | 520,513,417 | - | 366,854,049 | 3,039,504 | 3,553,665 | 194,686,535 | 1,088,647,170 | 29,199,928 | 1,117,847,098 |
| As at 1 January 2023 | 520,513,417 | - | 366,854,049 | 3,039,504 | 3,553,665 | 194,686,535 | 1,088,647,170 | 29,199,928 | 1,117,847,098 |
| Profit for the year | - | - | - | - | - | 516,192,124 | 516,192,124 | 24,222,645 | 540,414,769 |
| Total comprehensive income for the year | - | - | - | - | - | 516,192,124 | 516,192,124 | 24,222,645 | 540,414,769 |
| Capital injected by non-controlling shareholders | - | - | - | - | - | - | - | 49,020 | 49,020 |
| Dividend paid to non-controlling interest | - | - | - | - | - | - | - | (6,000,000) | (6,000,000) |
| Dividend paid to shareholders of the Company (note 7) | - | - | - | - | - | (95,253,955) | (95,253,955) | - | (95,253,955) |
| As at 31 December 2023 | **520,513,417** | **-** | **366,854,049** | **3,039,504** | **3,553,665** | **615,624,704** | **1,509,585,339** | **47,471,593** | **1,557,056,932** |

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Notes | *2023* *AED* | *2022* *AED* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the year | | **540,414,769** | 354,579,393 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 8 | **231,120,296** | 247,401,883 |
| Amortisation of intangible assets | 9 | **5,109,438** | 4,151,114 |
| Depreciation of right-of-use assets | 18 | **115,426,280** | 102,834,722 |
| Provision for expected credit losses | 12 | **84,113,351** | 65,127,796 |
| Change in fair value of financial assets carried at fair value through profit and loss | 22 | **(15,642,567)** | - |
| Share of profit from investments in associates | 21 | **(18,191,110)** | (21,219,779) |
| Interest income from related parties | 19 | **-** | (42,190,735) |
| Provision for employees' end of service benefits | 15 | **48,781,233** | 35,608,752 |
| Write back of liabilities | | **(3,921,018)** | - |
| Lease adjustment | | **(5,206,346)** | 75,426 |
| Gain on disposal of property and equipment | | **(646,280)** | (350,000) |
| Change in fair value of derivative financial instrument | 25 | **2,021,374** | 9,416,881 |
| Finance costs | 5 | **141,320,558** | 210,970,393 |
| | | **1,124,699,978** | 966,405,846 |
| Working capital changes: | | | |
| Inventories | | **(21,421,392)** | (32,542,122) |
| Accounts receivable and prepayments | | **(528,495,319)** | (360,581,483) |
| Amounts due from related parties | | **2,804,275** | 78,547,604 |
| Accounts payable and accruals | | **93,248,996** | (100,700,060) |
| Amounts due to related parties | | **4,496,813** | (18,245,055) |
| Cash generated from operations | | **675,333,351** | 532,884,730 |
| Employees' end of service benefits paid | 15 | **(22,370,967)** | (16,413,018) |
| Finance costs paid | | **(87,208,918)** | (158,237,562) |
| Net cash flows from operating activities | | **565,753,466** | 358,234,150 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | 8 | **(144,408,692)** | (72,544,213) |
| Additions to intangible assets | 9 | **(16,704,195)** | (3,500,020) |
| Additions to capital work in progress | 10 | **(16,670,937)** | (7,112,256) |
| Proceeds from sale of property and equipment | | **678,695** | 521,627 |
| Proceeds from transfer of property and equipment to related parties | | **381,304** | - |
| Movement in non-current term deposits | | **-** | 643,489 |
| Purchase of marketable securities | 22 | **(21,219,495)** | - |
| Net movements in amounts due from related parties | | **-** | 1,537,005,150 |
| Dividend income received from associates, net of investments | 21 | **12,600,000** | 13,200,000 |
| Net cash flows (used in) from investing activities | | **(185,343,320)** | 1,468,213,777 |
| **FINANCING ACTIVITIES** | | | |
| Net movement in shareholder's account | | **-** | (128,484) |
| Net movement in share contribution | | **-** | 300,000 |
| Proceeds from issuance of shares | | **-** | 400,795,330 |
| Issuance costs on issuance of shares | | **-** | (13,901,515) |
| Capital injected by non-controlling shareholders | | **49,020** | - |
| Dividend paid to shareholder of the Company | | **(95,253,955)** | - |
| Payment of principal portion of lease liabilities | 18 | **(162,368,524)** | (140,468,862) |
| Dividend paid to non-controlling interests | | **(6,000,000)** | (5,000,000) |
| Net movement in margin account | | **(601,629)** | (44,481) |
| Repayment of derivative financial instrument | 25 | **-** | (13,505,988) |
| Proceeds from interest-bearing loans and borrowings | | **5,068,096** | 300,964,524 |
| Repayment of interest-bearing loans and borrowings | | **(101,862,288)** | (2,247,879,330) |
| Net cash flows used in financing activities | | **(360,969,280)** | (1,718,868,806) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **19,440,866** | 107,579,121 |
| Cash and cash equivalents at 1 January | | **146,736,382** | 39,157,261 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 13 | **166,177,248** | 146,736,382 |

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

## 1 ACTIVITIES

Burjeel Holdings PLC (the "Company" or the "Parent") is registered in Abu Dhabi Global Market (ADGM) under license number 000003466 as a Public Company Limited by Shares. The Company was incorporated on 7 January 2020 (the "inception date"). The registered address of the Company is 402-DO2, 15th Floor, Al Sarab Tower, Abu Dhabi Global Market Square, Maryah Island, Abu Dhabi, United Arab Emirates. The Company and its subsidiaries are collectively referred to as the Group (the "Group").

The principal activity of the Company is to act as a holding company (Proprietary Investment Company) for the entities within the Group. The principal activities of the subsidiaries are to provide multi-speciality hospitals, medical, surgical and dental services and sale of pharmaceutical goods and medical equipment.

On 8 September 2022, the Company's shareholders passed a resolution to change the name of the Company to Burjeel Holdings PLC from Burjeel Holdings PVT. Limited and the legal formalities to change the Company's name were completed on 15 September 2022.

The Company was 100% owned and controlled by Dr. Shamsheer Vayalil Parambath (hereinafter referred as the "Director" or the "Shareholder") through VPS Healthcare Holdings PVT. LTD, an entity registered as a Private Company Limited by Shares in Abu Dhabi Global Market (ADGM) under license number 000003462. On 20 September 2022, the ownership of VPS Healthcare Holdings PVT. Ltd decreased to 79.8% as VPS Healthcare Holdings PVT. Ltd sold 750,710,477 (15%) of its shares to Quant Lase Lab LLC and transferred 260,256,708 (5.2%) of its shares to SYA Holdings PVT. Ltd.

On 10 October 2022, the Company listed 11% of its share capital on Abu Dhabi Securities Exchange ("ADX") as part of Initial Public Offering ("IPO") (Note 14(a)).

Subsequent to the IPO, the shareholding of the Company is as follows:

| | |
|---|---|
| VPS Healthcare Holdings PVT. Ltd | 70.0% |
| Quant Lase Lab LLC | 14.4% |
| SYA Holdings PVT. Ltd. | 5.0% |
| Publicly traded | 10.6% |

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on 06 March 2024.

## 2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and applicable provision of the Companies Regulations 2020 of Abu Dhabi Global Market (ADGM).

The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company.

During the year, the Group has reclassified certain comparative amounts to conform to the presentation as in the current year.

The consolidated financial statements are prepared under the historical cost basis except for derivative financial instrument and financial assets carried at fair value through profit and loss (FVTPL).

## 2.2 BASIS OF PREPARATION

Dr Shamsheer Vayalil entered into a Framework and Share Purchase Agreement ("FSPA") dated 28 March 2022 for the transfer of shares (the shares), relating to the entities listed in note 2.5 to the consolidated financial statements (the 'Entities'), that were beneficially owned and controlled by Dr Shamsheer Vayalil. As per the FSPA, Dr Shamsheer Vayalil has transferred the entire economic interest in the Entities to the Company and Burjeel Management PVT. Ltd (the "Intermediate Holdco"), an entity wholly owned by the Company. Thereby, the Company holds 98% of the transferred shares and the remaining 2% is held by the Intermediate Holdco.

The aforementioned transfer of shares to the Company is a common control transaction as the Entities will continue to be controlled by Dr Shamsheer Vayalil before and after the reorganisation. Therefore, this reorganisation is considered to be outside the scope of IFRS 3 Business Combinations. The Company has applied the pooling of interest method of accounting for the reorganisation.

Accordingly, for the purpose of this consolidated financial statements:

- The assets and liabilities of the Entities were reflected at their carrying amounts. No adjustments were made to reflect fair values, or recognise any new assets or liabilities, at the date of the acquisition that would otherwise be recognised under the acquisition method.
- No goodwill was recognised as a result of the consolidation. Any difference between the consideration transferred and the acquired net assets was reflected within equity.
- The statement of comprehensive income reflects the results of the Entities.

The basic principle of accounting for business combinations under common control using the pooling of interest method is that the structure of ownership is discretionary, and any reorganisation thereof is without economic substance from the perspective of the controlling party. The pooling of interest method is considered to involve the combining parties being presented as if they had always been combined. To this effect, the Company accounts for the transaction from the beginning of the period in which the combination occurs (irrespective of its actual date) and restates comparatives to include all combining entities.

The Company restated the periods prior to the business combination under common control, to the extent that the combining parties were under common control of the same controlling party (retrospective approach). The financial information in the consolidated financial statements were restated for periods prior to the combination, to reflect the combination as if it had occurred from the beginning of the earliest period presented.

The concept of pooling generally is based on the premise of a continuation of the combining entities. Consistently, the pre-combination equity composition and history associated with the assets and liabilities would be carried forward upon the combination. In the consolidated financial statements of the Group:

- the share capital of the individual entities that were combined are reflected as shareholders' contribution;
- the shareholders' account of the individual entities that were combined are reflected under 'shareholders' account;
- the retained earnings or the accumulated losses of the individual entities that were combined are reflected under 'retained earnings or accumulated losses'; and
- the statutory reserves of the individual entities that were combined are reflected as 'other reserves'.

## 2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform - Pillar Two Model Rules – Amendments to IAS 12

These amendments had no significant impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in these financial statements.

**IFRS 17 Insurance contracts**
IFRS 17 Insurance Contracts (IFRS 17) is effective for reporting periods beginning on or after 1 January 2023. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Limited scope exceptions apply.

The Group has not identified contracts that result in the transfer of significant insurance risk, and therefore it has concluded that IFRS 17 does not have an impact on these financial statements.

**Definition of Accounting Estimates - Amendments to IAS 8**
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**
In May 2021, the Board issued amendments to IAS 12 Income Taxes, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. Amendments is applicable to transactions that occur on or after the beginning of the earliest comparative period presented.

**International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12**
The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In line with IAS 12 (as amended), the Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

## 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 16: Lease Liability in a Sale and Lease back
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Supplier Finance Arrangement – Amendments to IAS 7 and IFRS 17

The management is currently assessing the impact of adopting the above standards and amendments on the Group's consolidated financial statements in the period of their initial application. The Group intends to adopt these standards, if applicable, when they become effective.

## 2.5 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**2.5 BASIS OF CONSOLIDATION** continued

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Details of the Company's significant subsidiaries are as follows:

| *Name of subsidiaries* | *Beneficiary ownership percentage* | *Place of incorporation* | *Principal activities* |
|---|---|---|---|
| **List of operating entities** | | | |
| Burjeel Hospital LLC | 100% | UAE | Health care services |
| Burjeel Hospital Pharmacy LLC | 100% | UAE | Health care services |
| Burjeel Farha Hospital L.L.C (formerly Medeor 24x7 International Hospital LLC) | 100% | UAE | Health care services |
| Burjeel Day Surgery Centre LLC | 100% | UAE | Health care services |
| Burjeel Alreem Pharmacy LLC | 100% | UAE | Health care services |
| Burjeel Medical City LLC | 100% | UAE | Health care services |
| Burjeel Medical City Pharmacy LLC | 100% | UAE | Health care services |
| Burjeel Medical Centre LLC | 100% | UAE | Health care services |
| Burjeel Medical Centre Al Shamkha LLC | 100% | UAE | Health care services |
| Burjeel Pharmacy Al Shamkha LLC | 100% | UAE | Health care services |
| Burjeel Medical Centre Al Zeina LLC | 100% | UAE | Health care services |
| Burjeel Home Care Services LLC | 100% | UAE | Health care services |
| Burjeel Pharmacy Al Marina LLC | 100% | UAE | Health care services |
| Burjeel Oasis Medical Centre LLC | 100% | UAE | Health care services |
| Burjeel Pharmacy LLC | 100% | UAE | Health care services |
| Burjeel Royal Hospital LLC | 100% | UAE | Health care services |
| Burjeel Royal Pharmacy LLC | 100% | UAE | Health care services |
| Burjeel Medical Centre Barari LLC | 100% | UAE | Health care services |
| Burjeel Pharmacy Barari Mall LLC | 100% | UAE | Health care services |
| Burjeel Retail Pharmacy LLC(formerly Burjeel Pharmacy Al Dhafra LLC) | 100% | UAE | Health care services |
| Burjeel Hospital for Advanced Surgery LLC | 100% | UAE | Health care services |
| Burjeel Specialty Hospital LLC | 100% | UAE | Health care services |
| Claims Care Revenue Cycle Management Office LLC | 100% | UAE | Provision of services within the Group |
| LLH Hospital LLC | 100% | UAE | Health care services |
| LLH Hospital Pharmacy LLC | 100% | UAE | Health care services |
| Tajmeel Cosmo Clinic LLC | 100% | UAE | Health care services |
| Tajmeel Royal Clinic LLC | 100% | UAE | Health care services |
| Tajmeel Royal Pharmacy LLC | 100% | UAE | Health care services |
| Tajmeel Kids Park Medical Centre LLC | 100% | UAE | Health care services |
| Tajmeel Specialized Medical Centre LLC | 100% | UAE | Health care services |
| Tajmeel Royal Dental Clinic LLC | 100% | UAE | Health care services |
| Burjeel Pharmacy Forsan Central Mall LLC | 100% | UAE | Health care services |

**2.5 BASIS OF CONSOLIDATION** continued

| *Name of subsidiaries* | *Beneficiary ownership percentage* | *Place of incorporation* | *Principal activities* |
|---|---|---|---|
| **List of operating entities** continued | | | |
| Burjeel Drug Store LLC (formerly VPS Drug Store LLC) | 100% | UAE | Procurement |
| Unique Valet Parking | 100% | UAE | Valet Parking Services |
| Lifeline Hospital LLC | 100% | Oman | Health care services |
| Dynamed Healthcare Solutions Pvt Ltd | 100% | India | Provision of services within the Group |
| LLH Hospital Al Musaffah LLC | 100% | UAE | Health care services |
| LLH Hospital Pharmacy Al Musaffah LLC | 100% | UAE | Health care services |
| LLH Medical Centre Al Musaffah LLC | 100% | UAE | Health care services |
| LLH Medical Centre LLC | 100% | UAE | Health care services |
| LLH Pharmacy Al Musaffah LLC | 100% | UAE | Health care services |
| Lifecare Hospital LLC | 50% | UAE | Health care services |
| LLH Pharmacy LLC | 100% | UAE | Health care services |
| Lifecare International Pharmacy LLC | 50% | UAE | Health care services |
| Lifecare Clinic LLC | 50% | UAE | Health care services |
| Lifecare Medical Centre LLC | 50% | UAE | Health care services |
| Lifeline Drug Store LLC | 100% | UAE | Procurement |
| I Med IT Solutions LLC | 100% | UAE | Provision of services within the Group |
| Medeor 24x7 Hospital LLC | 100% | UAE | Health care services |
| Medeor 24x7 Pharmacy LLC | 100% | UAE | Health care services |
| Burjeel Farha Pharmacy LLC (formerly Medeor International Pharmacy LLC) | 100% | UAE | Health care services |
| Medeor 24x7 Hospital LLC | 100% | UAE | Health care services |
| Marina Health Promotion Centre LLC | 100% | UAE | Health care services |
| Integrated Medical Care Services Company* | 50% | KSA | Health care services |
| Burjeel Gulf Medical Care Company* | 100% | KSA | Health care services |
| LLH Medical Centre LLC* | 100% | UAE | Health care services |
| LLH Medical Centre LLC – Branch* | 100% | UAE | Health care services |
| LLH Clinic LLC – Branch* | 100% | UAE | Health care services |
| Lifecare Clinic LLC – Branch* | 50% | UAE | Health care services |
| Burjeel Retail Pharmacy LLC – Branch* | 100% | UAE | Health care services |

*These entities have started operations during the current year.

| *Name of subsidiaries* | *Beneficiary ownership percentage* | *Place of incorporation* | *Principal activities* |
|---|---|---|---|
| **List of dormant entities**** | | | |
| Burjeel Dental Laboratory LLC | 100% | UAE | Teeth Manufacturing & Compensation Lab |
| Burjeel Cancer Institute LLC | 100% | UAE | Cancer Diseases Surgery |
| Burjeel IVF Centre LLC | 100% | UAE | Health care services |
| Burjeel Darak Management LLC | 100% | UAE | Management Office |
| Burjeel Quick Clinic L.L.C | 100% | UAE | Health care services |
| Burjeel Judiciary Medical Centre LLC | 100% | UAE | Health care services |
| Burjeel Judiciary Pharmacy LLC | 100% | UAE | Health care services |
| Burjeel Management PVT. Limited | 100% | UAE | Intermediary Holding Company |
| Co Lab Services LLC | 100% | UAE | Medical Analysis |
| Co Rad Services LLC | 100% | UAE | X-Ray Diagnosis |
| LLH Mobile Clinic LLC | 100% | UAE | Mobile Medical Services |
| LLH Mobile Medical Unit LLC | 100% | UAE | Mobile Medical Services |
| LLH Mammography Unit LLC | 100% | UAE | X-Ray Diagnosis |
| LLH Clinic LLC | 100% | UAE | Health care services |
| Burjeel Investments and Property | 100% | UAE | Real Estate Lease & Management Services |
| Kypros Nicolaides Fetal Medicine and Therapy Centre LLC | 100% | UAE | Health care services |

**2.5 BASIS OF CONSOLIDATION** continued

**List of dormant entities**** continued

| *Name of subsidiaries* | *Beneficiary ownership percentage* | *Place of incorporation* | *Principal activities* |
|---|---|---|---|
| **List of associates** | | | |
| First IVF Fertility Centre LLC | 30% | UAE | Health care services |
| International Knee & Joint Centre LLC | 40% | UAE | Health care services |

** These entities have not yet carried out any business or commercial operations from the date of their incorporation until the reporting date.

98% of the beneficial ownership of the above subsidiaries are owned by the Company and 2% is owned by the Intermediate Holdco which is a 100% subsidiary of the Company.

**2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgments, estimates and assumptions that have a significant impact on the consolidated financial statements of the Group are discussed below:

**Judgments**

*Determining the lease term of contracts with renewal and termination options – the Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group typically exercises its option to renew for these leases because on the previous experience and the future intention of the management to continue, significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of hospital, medical centres and stores with longer lease periods (i.e., >5-10 years) are not included as part of the extended lease term as these are not reasonably certain to be exercised.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group 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.

**2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS** continued

**Judgments** continued
*Identifying performance obligations*
At inception of the contract with customers, the Group assesses the performance obligations embedded in the contracts. Based on the assessment, the Group has concluded that sale of goods and healthcare services is generally expected to be the performance obligation. Management considers other incidental services are integral part of healthcare services and not capable of being distinct in the context of contract with the customers. There are no other performance obligations or benefits derived by the customers from the contracts.

*Determining method to estimate variable consideration and assessing the constraint*
The contracts for the sale of goods include a right of return and discounts that give rise to variable consideration, primarily relating to pharmacy business. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions.

*Determining transaction price and allocation*
The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer. The Group assesses whether, the services are distinct or capable of being distinct within the content of the contracts. The Group has concluded that the services are substantially the same and have the same pattern of transfer to the customers.

Some contracts include disallowances for medical and non-medical reasons. As these transaction prices are not deemed to be collectible the transaction price must be allocated to the performance obligations on a relative stand-alone collectible basis. Management estimates the stand-alone selling price at contract inception based on observable prices likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

*Transfer of control in contracts with customers*
In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is the subject of the contract is transferred to the customer or benefits of the services being provided is received and consumed by the customer.

*Consideration of significant financing component in a contract*
Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group concluded that there is no significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer’s payment and the transfer of goods to the customer.

*Principal versus agent considerations (judgement relating to revenue recognition)*
The Group enters into contracts with its customers for supply of goods and services. The Group determined that it controls the goods and services before they are transferred to customers, and it has the ability to direct the use of the or obtain benefits from the good or services. The following factors indicate that the Group controls the goods before they are being transferred to customers. Therefore, the Group determined that it is a principle in all its revenue arrangements.

- The Group is primarily responsible for fulfilling the promise to provide the specified goods or services.
- The Group has inventory risk before the specified goods has been transferred to the customers.
- The Group has discretion in establishing the price for the specified goods or services.
- The Group is exposed to all the credit risks associated with the revenue arrangement.

## 2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

**Judgments** continued

*Principal versus agent considerations (judgement relating to revenue recognition) continued*

Also, each contractual arrangement with individual doctors is assessed against specific criteria to determine whether the Group is acting as principal or agent in the arrangement with these doctors. The Group has determined that it is acting as Principal in these arrangements if it has the responsibility for providing the medical services to the patient, it acts as the primary obligator and it bears the risk of providing the medical service.

*Consolidation of subsidiaries, including entities in which the Group holds 50% of the beneficial ownership*

The Group has evaluated all the investee entities to determine whether it controls the investee as per the criteria laid out by IFRS 10 Consolidated Financial Statements. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

The Group considers that it controls certain entities with a beneficial holding of 50% (as mentioned in note 2.5) even though it owns only 50% of the voting rights. The Group has contractual arrangements in place that provides it with control through existing rights that give the current ability to direct the relevant activities of the investee that significantly affect the returns of the investee. The general manager, who is responsible for managing the affairs of the investee, is appointed by the Group.

**Use of estimates and assumptions**

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the Group's results of operations, consolidated financial positions and cash flows.

*Impairment of inventories*

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

At the reporting date gross inventories were AED 261,272,228 (2022: AED 239,850,836) with no provision for slow moving or obsolete items (2022: Nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

*Estimated useful lives of property and equipment*

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. The cost of property and equipment is depreciated over the estimated useful life, which is based on the expected usage of the asset, expected physical wear and tear, and the repairs and maintenance program and the residual value. The Group reviews the estimated useful lives of property and equipment at the end of each annual reporting period and any changes to the estimated useful life is adjusted prospectively. The residual values have not been considered as they are deemed immaterial.

*Useful lives of right-of-use assets*

The Group's management determines the estimated useful lives of its right-of-use assets for calculating amortisation. The cost of right-of-use assets are amortised over the estimated useful lives of the assets, which is based on shorter of the lease term and the estimated useful lives of the assets. The Group reviews the estimated useful lives of right-of-use assets at the end of each annual reporting period. Any change in the lease term or pattern of consumption of these assets are adjusted prospectively.

**2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS** continued

**Use of estimates and assumptions** continued

*Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating units being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

*Provision for expected credit losses*

The Group assesses the impairment of its financial assets based on the Expected Credit Loss ("ECL") model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Under the expected credit loss model, the Group accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets.

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

The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group measures the expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

## 2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

**Use of estimates and assumptions** continued

*Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Group's uses IBR ranging from 4.33% to 5.75%.

*Fair value of financial instruments*

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

*Provision for employees' end of service benefits*

An actuarial valuation is not considered necessary by management in respect of employees' end of service benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected to be significant.

*Rejections on medical services*

In the Middle East, the normal business process associated with transactions with insurers includes a number of claims disallowed which is not paid by the insurer. These rejected claims could be for various technical or medical reasons. Accordingly, the healthcare entities within the Group accept and expect an amount of consideration that is less than what was originally invoiced. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. Under IFRS 15, these rejected claims are recognised as part of revenue (decreasing the revenue recognised).

## 2.7 MATERIAL ACCOUNTING POLICY INFORMATION

**Investment in associates**

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in associates is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. Goodwill relating to the associate is included in the carrying amount of the investment and is assessed for impairment as part of the investment Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of comprehensive income.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Investment in associates** continued
The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of the associate is shown on the face of the consolidated statement of comprehensive income outside operating profit.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The impairment loss is then recognised as 'Share of losses of joint ventures' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of comprehensive income.

The financial statements of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

**Revenue from contract with customers**
The Group is mainly engaged in providing medical, healthcare and polyclinic services and sale of medicines.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, historical collections, rejection rates and excluding taxes and duty. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group provides inpatient and outpatient services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The fees for services include charges for doctors' consultancy fees, room rent, radiology, laboratory, and pharmaceutical items used. Revenues are measured at the transaction price which is the amount of consideration that the Group expects to be entitled to in exchange for the services provided. A performance obligation is a promise to transfer distinct goods and services to a customer. Hospital services provided to patients are regarded as a bundle of services which comprise accommodation, meals, theatre time, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements. Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients and/or medical insurers. Fees are calculated and billed based on various tariff agreements with insurers/customers.

Normal business process associated with transactions with insurers includes a number of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technical or medical reasons. Disallowance write-offs on rejected claims is a general practice by the insurers in the Middle East. Accordingly, the Group expects an amount of consideration that is less than what was originally invoiced. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Revenue from contract with customers** continued
The Group does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Group does not adjust any of the transaction prices for time value of money.

*Sale of goods – pharmacy*
The Group operates a chain of pharmacies selling medical inventories. Revenue from the sale of goods is recognised when the Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the medical inventories and takes delivery in a store, at which the right to consideration becomes unconditional.

*Revenue from operations and management*
Income from operations and management represent the services rendered for the management of customer's clinics and medical centers. This income is recognised on a time apportionment basis.

*i) Variable consideration*

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Certain contracts with customers provide customers with a right of return and discounts. The rights of return and discounts give rise to variable consideration.

Sale contracts provide a customer with a right to return the goods within a specified period. The Group uses the 'expected value method' to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price.

For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of goods sold) is also recognised for the right to recover products from a customer. However, considering the historical experience and pattern of subsequent returns, which were not significant, the Group has not recognised a refund liability and right to recover/return assets.

*(ii) Significant financing component*

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group does not receive any long terms advances from customers in relation to its revenue arrangements.

*(iii) Non-cash consideration*

The Group does not receive any non-cash considerations.

*Rental income*
Rental income is recognised on a straight-line basis over the term of the lease and presented as part of revenue due to its operating nature. The Group does not transfer substantially all the risks and rewards incidental to ownership of the asset leased out and accordingly these lease contracts are classified as operating leases. Contingent rents are recognised as revenue in the period in which they are earned.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

**Property and equipment**
Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on property and equipment at the following rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life:

| | |
|---|---|
| Buildings | 50 years |
| Leasehold improvements | 4 – 20 years |
| Medical equipments | 7 – 12 years |
| Furniture and fixtures | 2 – 10 years |
| Computer and office equipments | 4 – 5 years |
| Motor vehicles | 4 – 5 years |

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

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

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable. Whenever the carrying amount of property and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property and equipment and the value in use. The fair value less costs to sell is the amount obtainable from the sale of property and equipment in an arm’s length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of property and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property and equipment no longer exist or have reduced.

**Capital work in progress**
Capital work in progress is stated at cost less impairment and includes property and equipment that is being developed for future use. Capital work-in-progress is not depreciated, however, tested for impairment when indicator exists. Allocated costs along with borrowing costs directly attributable to the construction of the asset are capitalised. Cost of capital work in progress represents the purchase price or cost of service required to complete an asset.

The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group’s policies when construction of the asset is completed and commissioned.

**Intangible assets**
Intangible assets are mainly computer software licenses and implementation costs and are stated at cost less accumulated amortisation and any impairment in value. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The average useful lives of the intangible assets are assessed to be between 4 to 10 years.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Impairment of non-financial assets**
The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators. Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

**Financial instruments**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets**

*Initial recognition and measurement*
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Financial instruments** continued

**i) Financial assets** continued

*Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

<u>Financial assets at amortised cost</u>
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes bank balances and cash, accounts and other receivables, long term deposits and amounts due from related parties.

The Group does not have any financial assets at fair value through OCI or financial assets carried at fair value through profit or loss.

<u>Cash and cash equivalents</u>
Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand, margin deposits and short-term deposits, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any, as they are considered an integral part of the Group's cash management and excludes any balances provided as security and not available for the Group's use.

*Impairment of financial assets*
The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables, the Group applies a simplified approach in calculating ECLs as these financial assets do not contain significant financing component and usually have a maturity of one year or less. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on ECLs at each reporting date. The Group has established default rates that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Financial instruments** continued

**i) Financial assets** continued

*Impairment of financial assets* continued
The Group considers a financial asset in default when contractual payments are 300 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Derecognition of financial assets*
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**ii) Financial liabilities**

*Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, lease liabilities, bank overdrafts, derivative financial instrument, amounts due to related parties, accounts payable and accruals.

*Subsequent measurement*
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement comprehensive income.

This category generally applies to loans and borrowings, lease liabilities, bank overdrafts, amounts due to related parties, accounts payable and accruals.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Financial instruments** continued

**ii) Financial liabilities** continued

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. This category also includes derivative financial instrument entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities at fair value through profit or loss are recognised in the statement of comprehensive income under finance costs. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

*Derecognition*
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

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

**Derivative financial instrument**
Derivatives are classified as derivative financial instrument unless they are designated as effective hedging instruments or financial guarantee contract. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. Derivative financial instrument are carried in the statement of financial position at fair value reflecting changes in interest rates. The gains or losses arising from changes in fair values are recognised in the income statement unless the derivative is designated as a net investment hedge or effective portion of cash flow hedges, which is recognised in other comprehensive income. If the fair value of the derivative is positive it is classified as an asset, if the fair value of the derivative is negative it is classified as a liability.

The Group also uses interest rate caps and swaps to manage its risks associated with interest rate fluctuations. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instrument consists of profit rate swaps and are measured at the present value of estimated future cash flows and discounted based on the applicable yield curves derived from quoted interest rates. Based on the degree to which the fair value is observable, the profit rate swaps are grouped as level 2 in the fair value hierarchy.

**Current versus non-current classification**
The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

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

All other assets are classified as non-current.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Current versus non-current classification** continued
A liability is classified as current when:

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

The Group classifies all other liabilities as non-current.

**Inventories**
Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

**Employees' end of service benefits**
The Group provides end of service benefits to its expatriate employees in United Arab Emirates and Oman. The entitlement to these benefits is usually based upon the employees' final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension contributions are made in respect of UAE national employees in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the consolidated statement of comprehensive income during the employee's period of service.

End of service benefit for Omani employees are contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law.

**Provisions**
Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

**Foreign currency translations**
The consolidated financial statements are presented in AED, which is the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction, Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## 2.7 MATERIAL ACCOUNTING POLICY INFORMATION continued

**Foreign currency translations** continued
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

**Leases**
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Group as a lessee*
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

| | |
|---|---|
| Land | 51.5 years |
| Buildings | 5 to 25 years |

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Leases** continued
*The Group as a lessee*

iii) Short-term leases and leases of low-value assets

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

**Taxes**
*Current income tax*
Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Oman***
Lifeline Hospital LLC, the subsidiary in Oman had a tax exemption granted up to 26 November 2016. The carried forward tax losses amounting to AED 55,694,778 (Riyal Omani 5,838,027) from the date of establishment to 26 November 2016 are eligible for set off against future taxable income without expiry.

The tax rate applicable to Lifeline Hospital LLC is 15% (2022: 15%). For the purpose of determining the taxable result for the year, the accounting loss has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The subsidiary in Oman has taxable loss for the year. Therefore, the applicable tax rate is Nil (2022 : Nil). The average effective tax rate cannot be determined in view of the taxable loss.

The subsidiary in Oman has declared and estimated tax losses available for offset against future taxable profits as follows:

| | *At 31 December* | |
|---|---|---|
| | ***2023*** | *2022* |
| | ***AED*** | *AED* |
| 2011 (assessed - indefinite) | **283,634** | 283,634 |
| 2012 (assessed - indefinite) | **7,008,895** | 7,008,895 |
| 2013 (assessed - indefinite) | **4,967,421** | 4,967,421 |
| 2014 (assessed - indefinite) | **9,108,706** | 9,108,706 |
| 2015 (assessed - indefinite) | **5,686,355** | 5,686,355 |
| 2016 (assessed - indefinite) | **28,639,767** | 28,639,767 |
| 2017 (assessed - definite) | **-** | 48,577,632 |
| 2018 (assessed - definite) | **40,641,430** | 40,641,430 |
| 2019 (assessed - definite) | **20,562,955** | 20,562,955 |
| 2020 (declared) | **13,882,875** | 13,882,875 |
| 2021 (declared) | **7,055,336** | 7,055,336 |
| 2022 (declared) | **9,920,598** | 9,920,598 |
| 2023 (estimated) | **7,739,239** | - |
| | **155,497,211** | 196,335,604 |

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Taxes** continued
*Current income tax* continued

***Oman*** continued
No deferred tax asset on the carried forward losses has been recognised in these consolidated financial statements due to uncertainty regarding availability of future taxable profits. The tax assessments were issued by the taxation authorities up to the year 2019.

***India***
Dynamed Healthcare Solutions Pvt Ltd, the subsidiary in India was incorporated on 18 August 2017 at Infopark Special Economic Zone (Phase-II) in Kochi, State of Kerala and it is subject to the provisions of the Special Economic Zone Act, 2005. The subsidiary in India has 100% income tax exemption on export income for Special Economic Zone units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. Dynamed Healthcare Solutions Pvt Ltd provides services to Group Entities in Middle East and therefore, its income is being generated from export revenue. Dynamed Healthcare Solutions Pvt Ltd is currently assessing the income tax impact for tax year ended 31 March 2023 and 31 March 2024. However, the income tax impact for the aforesaid years is not expected to be material to the consolidated financial statements.

*Deferred income tax*
Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates as at the consolidated reporting date that are anticipated to apply to taxable income in the year in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognized in the consolidated statement of profit or loss or in other comprehensive income in the year they occur.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Value Added Tax ("VAT")**
Revenue, expenses and assets are recognised net of the amount of VAT, except:

1- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
2- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

**UAE corporate taxes**
On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

**2.7 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**UAE corporate taxes** continued
Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Group.

The Group should be subject to the provisions of the UAE CT Law with effect from 1 January 2024, and current taxes shall be accounted for as appropriate in the consolidated financial statements for the period beginning 1 January 2024.

Based on the current provisions of the UAE CT Law (including interpretation based on the Ministerial decisions and related guidance) and in accordance with IAS 12 Income Taxes, the Group has considered the related deferred tax accounting impact as at the reporting date and no potential deferred tax assets or liabilities have been identified as at the reporting date.

## 3 REVENUE

### 3.1 Types of revenue

| | ***2023*** ***AED*** | *2022* *AED* |
|---|---|---|
| Clinic revenue | **4,401,717,958** | 3,811,509,084 |
| Pharmacy sales | **59,765,666** | 64,532,394 |
| Other operating income | **64,770,923** | 40,790,376 |
| Revenue from contracts with customers | **4,526,254,547** | 3,916,831,854 |
| Rental income | **8,753,086** | 7,178,793 |
| | **4,535,007,633** | 3,924,010,647 |

### 3.2 Revenue from contracts with customers – timing of recognition

| | ***2023*** ***AED*** | *2022* *AED* |
|---|---|---|
| Out patient – services rendered at the point in time | **2,836,899,642** | 2,471,733,638 |
| In patient – services rendered over the time | **1,564,818,316** | 1,339,775,446 |
| Pharmacy – services rendered at the point in time | **59,765,666** | 64,532,394 |
| Other operating income – services rendered at the point in time | **64,770,923** | 40,790,376 |
| | **4,526,254,547** | 3,916,831,854 |

### 3.3 Revenue from contracts with customers by geographical markets

| | ***2023*** ***AED*** | *2022* *AED* |
|---|---|---|
| United Arab Emirates | **4,341,008,400** | 3,743,327,982 |
| Sultanate of Oman | **184,159,736** | 173,503,872 |
| Kingdom of Saudi Arabia | **1,086,411** | - |
| | **4,526,254,547** | 3,916,831,854 |

## 3 **REVENUE** continued

### 3.4 Revenue from contracts with customers by asset type

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Hospitals | **3,967,122,096** | 3,431,309,993 |
| Medical centres | **434,595,862** | 380,199,091 |
| Pharmacies | **59,765,666** | 64,532,394 |
| Others | **64,770,923** | 40,790,376 |
| | **4,526,254,547** | 3,916,831,854 |

**Performance obligations**
The performance obligation is satisfied based on the nature of medical services or upon delivery of the medical goods or supplies in case of pharmacy items. Certain contracts for the sale of pharmacy items provide customers with a right of return. However, the sales returns are negligible as compared to the gross revenue for the sale of pharmacy items. Based on the analysis of the historical data and experience, sales return is estimated to be less than 0.05% of the total sales made during a financial year. Considering that the sales returns of the Group are not significant, the Group has not recorded a refund liability and a right of return asset for anticipated sales returns as of the reporting dates.

In the Middle East, the normal business process associated with transactions with insurers includes a number of claims disallowed which is not paid by the insurer. These rejected claims could be for various technical or medical reasons. Accordingly, the healthcare entities within the Group expect an amount of consideration that is less than what was originally invoiced. These rejections constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. Under IFRS 15, these rejected claims are recognised as part of revenue (decreasing the revenue recognised).

*Rental income*
The rental income is received from external parties during the year from the letting of excess or unused spaces in the hospitals and medical centres. Rental income is based on individual lease agreements with a committed lease term of 1 year or less. Therefore, these are categorised as short-term leases.

There are no unsatisfied performance obligations as of the reporting dates; therefore, there are no transaction prices that are required to be allocated over the remaining or unsatisfied performance obligations.

## 4 DOCTORS' AND EMPLOYEES' SALARIES AND EMOLUMENTS

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Doctors’ and employees’ salaries and emoluments | **1,810,134,635** | 1,578,420,121 |
| Employees’ end of service benefits (note 15) | **48,781,233** | 35,608,752 |
| Staff accommodation costs | **30,341,372** | 29,533,297 |
| Employees’ insurance costs | **29,162,078** | 25,561,552 |
| Others | **28,784,957** | 32,295,720 |
| | **1,947,204,275** | 1,701,419,442 |

## 5 FINANCE COSTS

| | **2023** | 2022 |
|---|---|---|
| | ***AED*** | *AED* |
| Interest on loans and borrowings | **87,208,918** | 147,465,131 |
| Interest expense on lease liabilities (note 18) | **54,111,640** | 51,851,850 |
| Facility renewal fee | **-** | 2,225,221 |
| Interest on bank overdrafts | **-** | 8,494,046 |
| Interest on bills discounted | **-** | 934,145 |
| | **141,320,558** | 210,970,393 |

## 6 OTHER EXPENSES

| | **2023** | 2022 |
|---|---|---|
| | ***AED*** | *AED* |
| Housekeeping and hospitality expenses | **81,577,636** | 77,646,137 |
| Repair and maintenance costs | **69,828,300** | 64,096,560 |
| Marketing expenses | **55,451,318** | 54,494,277 |
| Utility charges | **52,091,544** | 48,647,648 |
| Legal and professional expenses | **31,271,026** | 22,550,349 |
| Directors' remuneration and allowance (note 19) | **22,975,762** | - |
| Transportation expenses | **18,398,193** | 15,281,120 |
| Security charges | **15,753,731** | 16,094,872 |
| Rent expenses (note 18) | **13,352,647** | 13,518,840 |
| Printing and stationery expenses | **8,604,950** | 8,204,405 |
| Bank charges | **7,246,418** | 3,487,543 |
| Credit card commission costs | **4,536,087** | 3,997,262 |
| Donations | **2,202,664** | - |
| Change in fair value of profit rate swaps (note 25) | **2,021,374** | 9,416,881 |
| Corporate charges (note 19) | **-** | 28,108,885 |
| Miscellaneous expenses | **29,093,543** | 31,225,643 |
| | **414,405,193** | 396,770,422 |

## 7 DIVIDEND

The Board of Directors of the Company approved a cash dividend distribution of AED 95,253,955 on 3 August 2023 which is equals to AED 0.02 per share and was paid to the shareholders on 9 August 2023.

## 8 PROPERTY AND EQUIPMENT

| | *Buildings AED* | *Leasehold improvements AED* | *Medical equipments AED* | *Furniture and fixtures AED* | *Computer and office equipments AED* | *Motor vehicles AED* | *Total AED* |
|---|---|---|---|---|---|---|---|
| ***2023*** | | | | | | | |
| Cost: | | | | | | | |
| At 1 January 2023 | 758,341,268 | 1,306,494,353 | 1,772,797,494 | 161,950,342 | 124,328,031 | 64,953,149 | 4,188,864,637 |
| Additions | 2,181,000 | 30,289,295 | 75,234,384 | 10,726,733 | 13,644,126 | 12,333,154 | 144,408,692 |
| Transfer from related parties (note 19) | - | - | 80,085 | 33,134 | 27,705 | - | 140,924 |
| Transfer to related parties (note 19) | - | - | - | - | - | (567,857) | (567,857) |
| Transfer from capital work in progress (note 10) | - | - | - | - | 36,333 | - | 36,333 |
| Disposals | - | - | (3,828,757) | - | (275,077) | (5,522,281) | (9,626,115) |
| At 31 December 2023 | **760,522,268** | **1,336,783,648** | **1,844,283,206** | **172,710,209** | **137,761,118** | **71,196,165** | **4,323,256,614** |
| Accumulated depreciation: | | | | | | | |
| At 1 January 2023 | 33,902,511 | 576,826,130 | 1,283,186,169 | 141,359,672 | 96,477,796 | 55,608,652 | 2,187,360,930 |
| Charge for the year | 15,173,990 | 69,813,190 | 119,897,715 | 9,633,664 | 12,045,421 | 4,556,316 | 231,120,296 |
| Transfer to related parties (note 19) | - | - | - | - | - | (186,553) | (186,553) |
| Disposals | - | - | (3,796,871) | - | (274,548) | (5,522,281) | (9,593,700) |
| At 31 December 2023 | **49,076,501** | **646,639,320** | **1,399,287,013** | **150,993,336** | **108,248,669** | **54,456,134** | **2,408,700,973** |
| Net carrying amount: | | | | | | | |
| At 31 December 2023 | **711,445,767** | **690,144,328** | **444,996,193** | **21,716,873** | **29,512,449** | **16,740,031** | **1,914,555,641** |

Property and equipment amounting to AED 397,231,847 (2022: AED 426,968,078) have been pledged as security against Group's loans and borrowings (note 16).

Burjeel Medical City buildings are constructed on land leased from Abu Dhabi Department of Economic Development. Initial period of the lease was 27 years. In 2022, the land lease has been extended perpetually by Abu Dhabi Department of Economic Development.

## 8 PROPERTY AND EQUIPMENT continued

| | *Buildings* *AED* | *Leasehold improvements* *AED* | *Medical equipments* *AED* | *Furniture and fixtures* *AED* | *Computer and office equipments* *AED* | *Motor vehicles* *AED* | *Total* *AED* |
|---|---|---|---|---|---|---|---|
| ***2022*** | | | | | | | |
| Cost: | | | | | | | |
| At 1 January 2022 | 754,646,076 | 1,301,315,407 | 1,765,538,155 | 154,292,986 | 107,711,676 | 63,215,438 | 4,146,719,738 |
| Additions | 3,695,192 | 9,402,511 | 28,534,541 | 7,738,863 | 16,715,153 | 6,457,953 | 72,544,213 |
| Transfer to related parties (note 19) | - | (4,013,685) | (12,445,075) | (117,840) | (98,798) | (4,669,680) | (21,345,078) |
| Transfer from capital work in progress (note 10) | - | - | 119,083 | 36,333 | - | - | 155,416 |
| Disposals | - | (209,880) | (8,949,210) | - | - | (50,562) | (9,209,652) |
| At 31 December 2022 | 758,341,268 | 1,306,494,353 | 1,772,797,494 | 161,950,342 | 124,328,031 | 64,953,149 | 4,188,864,637 |
| Accumulated depreciation: | | | | | | | |
| At 1 January 2022 | 18,785,008 | 502,370,605 | 1,171,248,278 | 132,202,915 | 85,965,389 | 55,226,955 | 1,965,799,150 |
| Charge for the year | 15,117,503 | 76,391,853 | 132,476,175 | 9,240,975 | 10,597,865 | 3,577,512 | 247,401,883 |
| Transfer to related parties (note 19) | - | (1,760,678) | (11,704,968) | (84,218) | (85,458) | (3,166,756) | (16,802,078) |
| Disposals | - | (175,650) | (8,833,316) | - | - | (29,059) | (9,038,025) |
| At 31 December 2022 | 33,902,511 | 576,826,130 | 1,283,186,169 | 141,359,672 | 96,477,796 | 55,608,652 | 2,187,360,930 |
| Net carrying amount: | | | | | | | |
| At 31 December 2022 | 724,438,757 | 729,668,223 | 489,611,325 | 20,590,670 | 27,850,235 | 9,344,497 | 2,001,503,707 |

## 9 INTANGIBLE ASSETS

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Cost: | | |
| At 1 January | **61,651,732** | 58,151,712 |
| Additions | **16,704,195** | 3,500,020 |
| At 31 December | **78,355,927** | 61,651,732 |
| Accumulated amortisation: | | |
| At 1 January | **54,372,895** | 50,221,781 |
| Charge for the year | **5,109,438** | 4,151,114 |
| At 31 December | **59,482,333** | 54,372,895 |
| Net carrying amount | **18,873,594** | 7,278,837 |

Additions during the year represent primarily SAP license fee and upgrade of revenue cycle management software (2022: upgrade of revenue cycle management software).

## 10 CAPITAL WORK IN PROGRESS

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Cost: | | |
| At 1 January | **23,281,616** | 16,324,776 |
| Additions during the year | **16,670,937** | 7,112,256 |
| Transfers to property and equipment (note 8) | **(36,333)** | (155,416) |
| At 31 December | **39,916,220** | 23,281,616 |

Capital work in progress represents costs for medical equipment and other costs including overhead expenses incurred during the development stage directly attributable to the construction of hospitals or departments within the hospitals. No borrowing cost was capitalised during the year ended 31 December 2023 (2022: AED Nil).

These installation of equipment and software are expected to be completed in 2024. These include amounts incurred towards architectural, tenant improvement, and interior work, supply and installation and advances for software. When commissioned, capital work in progress will be transferred to the appropriate asset category under property and equipment or intangible assets and depreciated or amortised in accordance with the Group's policy.

## 11 INVENTORIES

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Pharmaceutical products | **172,690,455** | 147,513,333 |
| Consumables and others | **88,581,773** | 92,337,503 |
| | **261,272,228** | 239,850,836 |

The cost of inventories recognised as an expense and included in consolidated statement of comprehensive income are as follows:

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Inventories consumed | **1,095,884,743** | 904,165,996 |

## 12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Trade receivables | **2,187,419,636** | 1,756,444,534 |
| Less: provision for expected credit losses | **(786,671,761)** | (704,675,768) |
| | **1,400,747,875** | 1,051,768,766 |
| Advances and other receivables | **102,363,731** | 59,664,269 |
| Unbilled receivables | **74,106,512** | 33,851,716 |
| Prepayments | **40,887,443** | 30,794,473 |
| Deposits | **16,013,512** | 13,657,881 |
| | **1,634,119,073** | 1,189,737,105 |

Trade receivables includes amounts due from insurance companies for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Movement in the provision for expected credit losses is as follows:

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| At 1 January | **704,675,768** | 642,950,973 |
| Charge for the year | **84,113,351** | 65,127,796 |
| Write off during the year | **(2,117,358)** | (3,403,001) |
| At 31 December | **786,671,761** | 704,675,768 |

## 12 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

As at 31 December, the ageing analysis of unimpaired trade receivables is as follows:

| | | | *Past due but not impaired* | | | |
|---|---|---|---|---|---|---|
| | *Total AED* | *Neither past due nor impaired AED* | *< 30 days AED* | *31 - 90 days AED* | *91 – 300 days AED* | *> 300 days AED* |
| **2023** | **1,400,747,875** | **772,412,771** | **165,080,152** | **178,992,425** | **240,756,544** | **43,505,983** |
| 2022 | 1,051,768,766 | 659,225,945 | 122,143,484 | 121,653,301 | 127,809,889 | 20,936,147 |

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the receivables are, therefore, unsecured. Neither past due nor impaired are those receivables which are under review and approval process with the insurance companies. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

## 13 BANK BALANCES AND CASH

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Cash in hand | **3,394,146** | 1,630,957 |
| *Bank balances:* | | |
| Current account | **162,612,409** | 144,940,291 |
| Fixed deposits | **170,693** | 165,134 |
| Margin deposits | **3,827,728** | 3,226,099 |
| **Bank balances and cash** | **170,004,976** | 149,962,481 |

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprises of the following as at 31 December:

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Bank balances and cash | **170,004,976** | 149,962,481 |
| Less: margin deposits | **(3,827,728)** | (3,226,099) |
| **Cash and cash equivalents** | **166,177,248** | 146,736,382 |

Fixed deposits are kept with local commercial banks in the United Arab Emirates and carry interest at prevailing market rates.

Margin deposits are cash guarantees paid to various banks. These deposits are not liquid and are not readily convertible to cash as they are subordinated to the respective facilities. Therefore, these deposits are excluded from cash and cash equivalents.

The expected credit loss on bank balances is estimated to be immaterial as the Group only deals with reputable banks with good ratings.

**13 BANK BALANCES AND CASH** continued

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| **Significant non-cash transactions** | | |
| Employees' end of service benefits transferred from a related party (note 19) | **3,259,205** | 908,745 |
| Leave salary transferred from a related party (note 19) | **558,591** | - |

## 14(a) SHARE CAPITAL

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| **Authorised** | | |
| 31 December: 5,500,000,000 shares of AED 0.10 each (US$ 0.027) | **550,000,000** | 550,000,000 |
| **Issued and fully paid** | | |
| 31 December: 5,205,134,175 shares of AED 0.10 each (US$ 0.027) | **520,513,417** | 520,513,417 |

During 2022, the Company increased its share capital by AED 549,266,000 by transferring AED 532,835,106 and AED 16,430,894 from the shareholder's account and shareholder's contribution respectively. The legal formalities with Abu Dhabi Global Market were completed on 14 June 2022 and Abu Dhabi Global Market issued a registration license with an amount of authorised share capital US$ 149,863,760 (AED 550,000,000).

On 14 September 2022, the Company resolved to reduce its share capital from AED 550,000,000 to AED 500,473,651 (US$ 136,368,842) in order to meet Securities and Commodities Authority requirement that the net shareholder's equity shall not be less than 100% of the paid-up capital.

On 10 October 2022 the Company listed 550,729,221 (11%) of its ordinary shares on the Abu Dhabi Securities Exchange ("ADX"). Out of the total 550,729,221 shares, the Company issued 350,331,556 (63.6%) existing shares and 200,397,665 (36.4%) new shares as part of the IPO.

## 14(b) SHAREHOLDER'S ACCOUNT

Shareholder's account represents the net amount invested by Dr Shamsheer Vayalil in the Group Entities. The Shareholder's account balance was unsecured, interest free, and had no fixed repayment terms. Any repayment of this amount was at the sole discretion of the Company and Group Entities. During 2022, the amount was allocated towards the increase in the share capital.

## 14(c) SHARE PREMIUM

Share premium represents amounts received in excess of par value relating to new shares issued on 10 October 2022 as part of the IPO net off equity issuance costs. The equity issuance costs amounting to AED 13,901,515 directly attributable to the issuance of new shares have been deducted from the share premium.

## 14(d) OTHER RESERVE

Other reserve represents statutory reserve relating to subsidiaries. These reserves are not available for distribution except in such circumstances as specified in the relevant laws and regulations applicable to the respective entities in their country of incorporation.

## 14(e) SHAREHOLDER'S CONTRIBUTION

Shareholder's contribution included as part of total equity represents Dr Shamsheer Vayalil interest in the share capital of entities listed in note 2.5 to the consolidated financial statements which are transferred to the Group as disclosed in Note 2.2 – "basis of preparation" to the consolidated financial statements.

## 15 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision for employees' end of service benefits was as follows:

| | ***2023*** ***AED*** | *2022* *AED* |
|---|---|---|
| At 1 January | **121,447,629** | 101,343,150 |
| Charge for the year (note 4) | **48,781,233** | 35,608,752 |
| Transferred from a related party (note 19) | **3,259,205** | 908,745 |
| Employees' end of service benefits paid | **(22,370,967)** | (16,413,018) |
| At 31 December | **151,117,100** | 121,447,629 |

## 16 INTEREST BEARING LOANS AND BORROWINGS

| | ***2023*** ***AED*** | *2022* *AED* |
|---|---|---|
| Term loans | **906,465,959** | 1,006,959,849 |
| Short-term loan | **250,000,000** | 250,000,000 |
| Vehicle loans | **7,531,947** | 3,832,249 |
| | **1,163,997,906** | 1,260,792,098 |

Current and non-current portion of interest-bearing loans and borrowings are as follows:

| | ***2023*** ***AED*** | *2022* *AED* |
|---|---|---|
| Non-current | **782,086,391** | 903,820,385 |
| Current | **381,911,515** | 356,971,713 |
| | **1,163,997,906** | 1,260,792,098 |

## 16 INTEREST BEARING LOANS AND BORROWINGS continued

***Non-current***

| Group entity name | Facility | Country | Bank type | Loan maturity year | Security | 2023 AED | 2022 AED |
|---|---|---|---|---|---|---|---|
| Burjeel Hospital LLC | Term loan | UAE | Islamic | 2030 | Corporate and personal guarantee and pledge | **680,125,768** | 748,952,996 |
| Burjeel Hospital LLC | Vehicle Loan | UAE | Islamic | 2026-27 | Financed vehicles | **5,216,569** | 2,552,263 |
| Burjeel Specialty Hospital L.L.C. | Term loan | UAE | Commercial | 2028 | Corporate and personal guarantee and pledge | **96,622,404** | 111,622,404 |
| Burjeel Day Surgery Centre LLC | Term loan | UAE | Commercial | 2024 | Corporate and personal guarantee and pledge | **-** | 40,473,897 |
| Burjeel Homecare Services LLC | Vehicle loan | UAE | Commercial | 2024 | Financed vehicle | **-** | 71,397 |
| Dynamed Healthcare Solutions Pvt. Ltd | Vehicle loan | India | Commercial | 2025 | Financed vehicle | **121,650** | 147,428 |
| | | | | | | **782,086,391** | 903,820,385 |

***Current***

| Group entity name | Facility | Country | Bank type | Loan maturity year | Security | 2023 AED | 2022 AED |
|---|---|---|---|---|---|---|---|
| Burjeel Hospital LLC | Term loan | UAE | Islamic | 2030 | Corporate and personal guarantee and pledge | **74,243,890** | 68,410,552 |
| Burjeel Hospital LLC | Short-term loan | UAE | Islamic | 2024 | Corporate and personal guarantee | **250,000,000** | 250,000,000 |
| Burjeel Day Surgery Centre LLC | Term loan | UAE | Commercial | 2024 | Corporate and personal guarantee and pledge | **40,473,897** | 30,000,000 |
| Burjeel Specialty Hospital L.L.C. | Term loan | UAE | Commercial | 2028 | Corporate and personal guarantee and pledge | **15,000,000** | 7,500,000 |
| Burjeel Hospital LLC | Vehicle loan | UAE | Commercial | 2026-27 | Financed vehicles | **2,071,252** | 854,026 |
| Burjeel Homecare Services LLC | Vehicle loan | UAE | Commercial | 2024 | Financed vehicle | **71,394** | 165,000 |
| Dynamed Healthcare Solutions Pvt Ltd | Vehicle loan | India | Commercial | 2025 | Financed vehicle | **51,082** | 42,135 |
| | | | | | | **381,911,515** | 356,971,713 |

*Security & pledges*

- Corporate guarantees by the entities within the Group;
- Personal guarantee of Dr Shamsheer Vayalil, and;
- Certain property and equipment, assignment of insurance receivables of the entities with the Group entities are pledged against the loans and borrowings (Note 8).

* In 2022, the Company received AED 1,727,717,309 from VPS Healthcare LLC to settle its balance due to the Company. Further, the Company raised funds through issuance of new shares in IPO amounting to AED 400,795,330. These amounts were used to repay term and other loans, derivative financial instrument and bank overdrafts amounting to AED 2,105,414,057.

## 16 INTEREST BEARING LOANS AND BORROWINGS continued

**Changes in liabilities arising from financing activities**
The table below details changes in the Group's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

| | *1 January 2023 AED* | *Net cash flows AED* | *Other AED* | *31 December 2023 AED* |
|---|---|---|---|---|
| ***Current:*** | | | | |
| **Interest bearing loans and borrowings** | **356,971,713** | **(356,971,713)** | **381,911,515** | **381,911,515** |
| ***Non-current:*** | | | | |
| **Interest bearing loans and borrowings** | **903,820,385** | **260,177,521** | **(381,911,515)** | **782,086,391** |
| **Total** | **1,260,792,098** | **(96,794,192)** | **-** | **1,163,997,906** |

| | *1 January 2022 AED* | *Net cash flows AED* | *Other AED* | *31 December 2022 AED* |
|---|---|---|---|---|
| *Current:* | | | | |
| Interest bearing loans and borrowings | 558,908,655 | (558,908,655) | 356,971,713 | 356,971,713 |
| *Non-current:* | | | | |
| Interest bearing loans and borrowings | 2,648,798,249 | (1,388,006,151) | (356,971,713) | 903,820,385 |
| Total | 3,207,706,904 | (1,946,914,806) | - | 1,260,792,098 |

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings to current due to the passage of time and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The Group classifies interest paid as cash flows from operating activities.

**Interest rates**
Interest rates on these loans and borrowings are at EIBOR plus a fixed margin. The range is as follows:

| | |
|---|---|
| Commercial loans | – EIBOR + 1.9 to 3% (2022: EIBOR + 3%) |
| Vehicle loans | – 3% to 10% (2022: 3% to 10%) |

Further, the Group has obtained overdraft facility which is unutilized as at 31 December 2023.

## 17 ACCOUNTS PAYABLE AND ACCRUALS

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Trade accounts payable | **744,969,573** | 665,581,688 |
| Employees' salaries and other payables | **154,840,317** | 159,686,456 |
| Accrued expenses | **82,414,246** | 86,501,095 |
| Retention payable | **17,446,875** | 7,503,326 |
| Advances including advance from customers | **12,159,025** | 6,453,064 |
| Directors' remuneration payable | **4,561,297** | - |
| Other payables | **12,972,363** | 19,751,498 |
| | **1,029,363,696** | 945,477,127 |

## 18 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for land and buildings leases and are part of core operations of the Group. Generally, the Group is restricted from assigning and subleasing the leased assets. Some of the lease contracts include extension and termination options, which are further discussed below.

The Group also has certain leases with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below, is the carrying amount of the Group's right-of-use assets and lease liabilities and the movement during the respective years:

| | ***Right of use assets AED*** | ***Lease liabilities AED*** |
|---|---|---|
| As at 1 January 2023 | **1,018,557,484** | **1,175,608,884** |
| Additions | **67,509,729** | **67,509,729** |
| Depreciation expense | **(115,426,280)** | **-** |
| Lease adjustment | **40,151,002** | **34,944,656** |
| Accretion of interest expense (note 5) | **-** | **54,111,640** |
| Payments | **-** | **(162,368,524)** |
| As at 31 December 2023 | **1,010,791,935** | **1,169,806,385** |
| As at 1 January 2022 | 1,138,517,781 | 1,281,276,045 |
| Additions | 4,453,260 | 4,453,260 |
| Depreciation expense | (102,834,722) | - |
| Re-measurement of lease liabilities | (21,578,835) | (21,503,409) |
| Accretion of interest expense (note 5) | - | 51,851,850 |
| Payments | - | (140,468,862) |
| As at 31 December 2022 | 1,018,557,484 | 1,175,608,884 |

Lease liabilities are analysed in the consolidated statement of financial position as follows:

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Current | **107,362,123** | 97,632,216 |
| Non – current | **1,062,444,262** | 1,077,976,668 |
| | **1,169,806,385** | 1,175,608,884 |

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. There are no contracts wherein the extension options are not expected to be exercised or termination options are expected to be exercised. Therefore, there are no undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Included in right-of-use assets is a land with a net book value of AED 8,864,487 (2022: AED 9,055,003) and remaining right-of-use assets are leased properties amounting to AED 1,001,927,448 (2022: AED 1,009,502,481).

**18 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES** continued

The following are the amounts recognised in the consolidated statement of comprehensive income:

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Depreciation expense of right-of-use assets | **115,426,280** | 102,834,722 |
| Interest expense on lease liabilities (note 5) | **54,111,640** | 51,851,850 |
| Expense relating to short term leases (note 6) | **13,352,647** | 13,518,840 |

In 2023, the Group had total cash outflows for leases of AED 162,368,524 (2022: AED 140,468,862). There are no future cash outflows relating to leases that have not yet commenced. The Group's lease contracts do not contain any variable lease payments.

**Changes in lease liabilities arising from financing activities:**

| | ***1 January 2023 AED*** | ***Cash flows AED*** | ***Other AED*** | ***31 December 2023 AED*** |
|---|---|---|---|---|
| ***Current:*** | | | | |
| Leases liabilities | **97,632,216** | **(162,368,524)** | **172,098,431** | **107,362,123** |
| ***Non-current:*** | | | | |
| Leases liabilities | **1,077,976,668** | **-** | **(15,532,406)** | **1,062,444,262** |
| **Total** | **1,175,608,884** | **(162,368,524)** | **156,566,025** | **1,169,806,385** |

| | *1 January 2022 AED* | *Cash flows AED* | *Other AED* | *31 December 2022 AED* |
|---|---|---|---|---|
| *Current:* | | | | |
| Leases liabilities | 98,156,398 | (140,468,862) | 139,944,680 | 97,632,216 |
| *Non-current:* | | | | |
| Leases liabilities | 1,183,119,647 | - | (105,142,979) | 1,077,976,668 |
| Total | 1,281,276,045 | (140,468,862) | 34,801,701 | 1,175,608,884 |

The 'Other' column includes the effect of reclassification of non-current portion of lease liabilities to current due to the passage of time, rent concessions and the effect of accretion on interest on lease liabilities. The Group classifies interest on lease liabilities as cash flows from operating activities.

## 19 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders and senior management of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of all transactions are approved by the management of the Group.

During the year, the Group entered into the following transactions with related parties:

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Revenue | **5,573,356** | 16,003,838 |
| Interest income | **-** | 42,190,735 |
| Doctors' and other employees' salaries and benefits | **1,864,997** | 3,660,354 |
| Purchases | **22,988,286** | 18,585,093 |
| Others | **35,775,178** | 37,506,165 |
| Corporate charges* (note 6) | **-** | 28,108,885 |
| Employees’ end of service benefits transferred from a related party (note 15) | **3,259,205** | 908,745 |
| Leave salary transferred from a related party (note 13) | **558,591** | - |
| Property and equipment transferred to related parties** (note 8) | **381,304** | 4,543,000 |
| Property and equipment transferred from a related party (note 8) | **140,924** | - |
| Directors’ remuneration and allowance*** (note 6) | **22,975,762** | - |

As at 31 December 2023 and 2022, various group entities and Dr Shamsheer Vayalil have provided corporate and personal guarantees to the banks for loans and other facilities obtained by the Entities.

* **-** Corporate charges include allocation of common cost mainly HR support, IT support, finance operations support and other general overheads from VPS Healthcare, a related party up to the period ended 30 June 2022. Subsequent to 30 June 2022, these functions have been transferred to the Group and are now direct costs of the Group.

** **-** Properties and equipment were transferred to related parties for consideration equal to the book value which resulted in no gain or loss (note 8).

*** **-** The directors’ remuneration and allowance includes expense of AED 4,049,068 relating to year ended 31 December 2022 which has been recorded during the year, as the approvals from the Board and HR Committee were obtained during the year. The remuneration was approved by shareholders in the Annual General Meeting held on 19 April 2023.

**19 RELATED PARTY TRANSACTIONS AND BALANCES** continued

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

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| **Amounts due from related parties** | | |
| *Entities under common control* | | |
| VPS Healthcare LLC* | **12,562,710** | 9,334,733 |
| International Knee & Joint Centre LLC | **4,648,001** | 4,509,510 |
| Hirmas Real Estate LLC | **4,310,301** | 7,009,963 |
| Sahara Medical Centre LLC | **1,388,891** | 717,403 |
| Life Pharma FZE | **380,746** | 12,378 |
| Al Barakah Investment | **300,000** | 300,111 |
| Workers Village Real Estate | **202,499** | 383,325 |
| First IVF Fertility Centre L.L.C | **-** | 1,070,795 |
| | **23,793,148** | 23,338,218 |

* - This balance carried no interest rate for the year ended 31 December 2023 (2022: 6% per annum until 30 September 2022).

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| **Amounts due to related parties** | | |
| Response Plus Medical Services LLC | **14,418,842** | 18,745,226 |
| Ziva Wet Wipes LLC | **7,719,628** | 6,911,090 |
| Keita Catering LLC | **7,677,200** | 3,988,685 |
| Leejam Sports Company | **4,581,467** | - |
| First IVF Fertility Centre L.L.C | **2,608,733** | - |
| Al Raha Village Properties LLC | **1,427,858** | 4,568,664 |
| International Construction Contracting Company | **1,067,147** | 1,053,254 |
| The Value Facility Management (VFM) | **166,153** | - |
| Health Tech Training Centre LLC | **-** | 188,906 |
| Middle East North Africa Conference Company LLC | **-** | 112,198 |
| Health Tech Training Centre LLC – Dubai Branch | **-** | 19,859 |
| | **39,667,028** | 35,587,882 |

*Terms and conditions with related parties*

Outstanding balances at the year-end arise in the normal course of business and due to receipt and payment transactions. The Entities have not recorded any impairment of amounts due from related parties. This assessment is undertaken each reporting date through examining the financial position of the related party and the market in which the related party operates.

## 19 RELATED PARTY TRANSACTIONS AND BALANCES continued

**Compensation of key management personnel**
The remuneration of the members of key management during the year were as follows:

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Salaries and other benefits | **4,610,000** | 2,820,000 |
| Employees' end of service benefits | **170,000** | 100,000 |
| | **4,780,000** | 2,920,000 |
| Number of key management personnel | **2** | 2 |

## 20 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's principal financial liabilities consist of accounts payables, interest bearing loans and borrowings, amounts due to related parties, derivative financial instrument, lease liabilities and certain other liabilities. The main purpose of the financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as long term deposits, accounts receivable, amounts due from related parties, financial asset carried at fair value through profit and loss and bank balances and cash and certain other assets, which arise directly from its operations and inter-company receipt and payment transactions.

Risk management activities carried out by the Group are under policies approved by the management. The Group identifies and evaluates financial risks in close co-operation with the Group's operating units. The financial risk management disclosures have been presented to illustrate different potential scenarios and situations that the Group may encounter in practice.

**Credit risk**
Credit risk refers the risk arising on account of a default by counterparty on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually. The Group uses its own trading records to rate its major customers.

The Group is exposed to credit risk on its accounts receivable, bank balances and amounts due from related parties as disclosed in Notes 12, 13 and 19, respectively. Credit risk is limited to the carrying values of each class of financial assets in the consolidated statement of financial position.

*Trade receivables*
Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating) The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group does not hold collateral as security.

The Group's five largest customers account for approximately 76% of outstanding accounts receivable at 31 December 2023, (2022: 76%). The average credit period on trade receivables is 90 days (2022: 90 days).

## 20 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

**Credit risk** continued

*Bank balances*

Credit risk from balances with banks and financial institutions is managed by the Group. The Group seeks to limit its credit risk with regard to bank balances by dealing only with reputable banks. These balances are callable on demand and held with reputable financial institutions. Management has assessed that the credit risk is minimal on bank balances.

*Amounts due from related parties*

Amounts due from related parties is not considered to represent significant credit risk because amounts due from related parties are from the companies owned and controlled by the Group and therefore, do not carry any significant risks of default. The credit risk is assessed to be minimal as there is no historical default and these balances are due from entities, which has common shareholding.

*Other financial assets*

With respect to credit arising from the other financial assets of the Group, which comprise other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

**Interest rate risk**

The Group has no significant interest-bearing assets and the Group's income, and operating cash flows are substantially independent of changes in market interest rates. Any excess cash and cash equivalents are invested at short term market interest rates.

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Group is exposed to interest rate risk on its interest-bearing loans and borrowings.

*Interest rate sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the statement of financial position date. For floating rate liabilities and bank deposits, the analysis is prepared assuming the amount of liability and bank deposit outstanding at the statement of financial position date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit or loss, based on the floating rate financial liabilities held at reporting dates. The analysis is prepared assuming the amount of interest-bearing assets and liabilities (floating rate) outstanding at the reporting date was outstanding for the whole year. The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant. In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk, as the yearend exposure does not reflect the exposure during the year.

| | *Increase/decrease in basis points* | *Effect on profit / (loss) AED* |
|---|---|---|
| **2023** | **+100** | **(11,639,979)** |
| | **-100** | **11,639,979** |
| 2022 | +100 | (12,607,921) |
| | -100 | 12,607,921 |

**20 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES** continued

**Liquidity risk**
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group monitors its risk of shortage of funds using cash flow budgeting in which it considers the cash flows and as well as their sources of funding.

The Group limits its liquidity risk by ensuring bank facilities are available and by funding non-current assets with long term loans. Trade payables are normally settled within 90 to 120 days of the date of purchase.

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

| | *On demand AED* | *Less than 3 months AED* | *3 to 12 months AED* | *1 to 5 years AED* | *More than 5 years AED* | *Total AED* |
|---|---|---|---|---|---|---|
| ***2023*** | | | | | | |
| Interest bearing loans and borrowings | - | **295,852,592** | **120,055,840** | **576,998,358** | **304,132,442** | **1,297,039,232** |
| Lease liabilities | - | **45,132,967** | **117,661,633** | **577,683,356** | **843,074,033** | **1,583,551,989** |
| Amounts due to related parties | - | **10,494,514** | **29,172,514** | - | - | **39,667,028** |
| Trade and accounts payable | - | **308,210,972** | **626,579,453** | - | - | **934,790,425** |
| Derivative financial instrument | - | - | - | **30,396,005** | - | **30,396,005** |
| **Total** | - | **659,691,045** | **893,469,440** | **1,185,077,719** | **1,147,206,475** | **3,885,444,679** |
| *2022* | | | | | | |
| Interest bearing loans and borrowings | - | 283,414,848 | 85,980,617 | 486,911,961 | 446,909,071 | 1,303,216,497 |
| Lease liabilities | - | 42,770,129 | 102,432,409 | 500,293,157 | 982,688,939 | 1,628,184,634 |
| Amounts due to related parties | - | 11,200,879 | 24,387,003 | - | - | 35,587,882 |
| Trade and accounts payable | - | 300,429,867 | 552,093,101 | - | - | 852,522,968 |
| Derivative financial instrument | - | - | - | 28,374,631 | - | 28,374,631 |
| Total | - | 637,815,723 | 764,893,130 | 1,015,579,749 | 1,429,598,010 | 3,847,886,612 |

**Foreign currency risks**
The Group is exposed to foreign currency risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency other than the respective functional currencies of the Group entities. As the UAE Dirham, Omani Riyal and Saudi Riyal is pegged to the USD, balances in these currencies are not considered to represent significant foreign currency risk.

Management has set up policies to require Group companies to manage their foreign currency risk against their functional currency. Further, the Group is not significantly exposed to foreign currency risk in respect of its subsidiary in India as those operations are minimal as compared to the Group's operations. The Group's exposure to foreign currency changes is not material.

## 20 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

**Capital management**
The primary objective of the Group's capital management is to ensure that it is able to continue as going concern while maintaining healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group includes within net debt, interest bearing loans and borrowings, lease liabilities, accounts payables and accruals and amounts due from related parties, less cash and cash equivalents. Capital includes total equity.

| | ***2023*** <br> ***AED*** | *2022* <br> *AED* |
|---|---|---|
| Interest bearing loans and borrowings (note 16) | **1,163,997,906** | 1,260,792,098 |
| Lease liabilities (note 18) | **1,169,806,385** | 1,175,608,884 |
| Accounts payable and accruals (note 17) | **1,029,363,696** | 945,477,127 |
| Amounts due to related parties (note 19) | **39,667,028** | 35,587,882 |
| Cash and cash equivalent (note 13) | **(166,177,248)** | (146,736,382) |
| Net debt | **3,236,657,767** | 3,270,729,609 |
| Equity | **1,509,585,339** | 1,088,647,170 |
| Equity and net debt | **4,746,243,106** | 4,359,376,779 |
| Gearing ratio | **68%** | 75% |

## 21 INVESTMENT IN ASSOCIATES

Details of the Group's associates are as follows:

| *Name of entity* | *Principal activities* | *Place of incorporation and operation* | *Ownership percentage At December* ***2023*** | *2022* |
|---|---|---|---|---|
| ***Associate*** | | | | |
| International Knee & Joint Centre LLC | Supply of sports medicine and the provision of medical and rehabilitation services in relation to sports injuries and, in particular, those related to the knee. | U.A.E. | **40%** | 40% |
| First IVF Fertility Centre LLC | To run, operate and manage fertility and infertility treatment centre for the patients | U.A.E. | **30%** | 30% |

The above investments are accounted for using the equity method in these consolidated financial statements.

**21 INVESTMENT IN ASSOCIATES** continued

**a) International Knee & Joint Centre LLC**

Movement in International Knee & Joint Centre LLC ('Knee & Joint Centre') are as follows:

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Balance at 1 January | **4,365,357** | 5,664,567 |
| Share of the profit for the year | **8,747,286** | 11,900,790 |
| Dividend received during the year | **-** | (13,200,000) |
| Balance at 31 December | **13,112,643** | 4,365,357 |

The following table illustrates the summarised financial information relating to the Group's investment in Knee & Joint Centre:

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Total assets | **74,150,427** | 29,349,530 |
| Total liabilities | **(41,368,819)** | (18,436,137) |
| Net assets | **32,781,608** | 10,913,393 |
| The Group's share of net assets in Knee & Joint Centre –40% share | **13,112,643** | 4,365,357 |
| **The Group's carrying amount of investment in Knee & Joint Centre (A)** | **13,112,643** | 4,365,357 |

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Revenue | **69,767,013** | 78,725,684 |
| Profit for the year | **21,868,214** | 29,751,975 |
| Other comprehensive income | **-** | - |
| Total comprehensive income | **21,868,214** | 29,751,975 |
| The Group's share of profit in Knee & Joint Centre – (B) | **8,747,286** | 11,900,790 |
| The Group's share of total comprehensive in Knee & Joint Centre | **8,747,286** | 11,900,790 |

Knee & Joint Centre had no contingent liabilities or capital commitments as at 31 December 2023 (2022: Nil).

## 21 INVESTMENT IN ASSOCIATES continued

### b) First IVF Fertility Centre LLC

Movement in First IVF Fertility Centre LLC (IVF) are as follows:

| | *2023* *AED* | *2022* *AED* |
|---|---|---|
| Balance at 1 January | **24,707,208** | 11,726,200 |
| Share of the Group's profit for the year | **9,443,824** | 9,318,989 |
| Dividend received during the year | **(12,600,000)** | - |
| Adjustment | **(6,000,000)** | - |
| Investment during the year | **-** | 3,662,019 |
| Balance at 31 December | **15,551,032** | 24,707,208 |

The following table illustrates the summarised financial information relating to the Group's investment in IVF:

| | *2023* *AED* | *2022* *AED* |
|---|---|---|
| Total assets | **58,687,389** | 70,071,210 |
| Total liabilities | **(15,560,952)** | (16,191,094) |
| Net assets | **43,126,437** | 53,880,116 |
| The Group's share of net assets in IVF – 30% share | **12,937,931** | 16,164,035 |
| **The Group's carrying amount of investment in IVF – (C)*** | **15,551,032** | 24,707,208 |

*The difference in Group's share of net assets in IVF – 30% share and Group's carrying amount of investment in IVF is on account of additional investment made by the Company resulting no change in controlling interest.

| | *2023* *AED* | *2022* *AED* |
|---|---|---|
| Revenue | **93,236,783** | 92,749,919 |
| Profit for the year | **31,479,416** | 31,063,297 |
| Other comprehensive income | **-** | - |
| Total comprehensive income | **31,479,416** | 31,063,297 |
| **The Group's share of profit in IVF – (D)** | **9,443,824** | 9,318,989 |
| The Group's share of total comprehensive in IVF | **9,443,824** | 9,318,989 |

IVF had no contingent liabilities or capital commitments as at 31 December 2023 (2022: Nil).

**21 INVESTMENT IN ASSOCIATES** continued

Total share of the Group's profit from associates are as follows:

| | 2023 AED | 2022 AED |
|---|---|---|
| International Knee & Joint Centre LLC – (B) | **8,747,286** | 11,900,790 |
| First IVF Fertility Centre LLC – (D) | **9,443,824** | 9,318,989 |
| | **18,191,110** | 21,219,779 |

The Group's total carrying amount of investment in associates are as follows:

| | 2023 AED | 2022 AED |
|---|---|---|
| International Knee & Joint Centre LLC - (A) | **13,112,643** | 4,365,357 |
| First IVF Fertility Centre LLC - (C) | **15,551,032** | 24,707,208 |
| | **28,663,675** | 29,072,565 |

## 22 FINANCIAL ASSET CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

The Group's total carrying amount of financial asset carried at fair value through profit and loss is as follows:

| | 2023 AED | 2022 AED |
|---|---|---|
| Quoted equity investments | **36,862,062** | - |

The geographical distribution of investments is as follows:

| | 2023 AED | 2022 AED |
|---|---|---|
| Inside UAE | **36,862,062** | - |

As of 31 December 2023, no shares were pledged as security against borrowings.

The investments are recorded at fair value using the valuation techniques as disclosed in note 24. Movement in investment in financial asset carried at fair value through profit or loss is as follows:

| | 2023 AED | 2022 AED |
|---|---|---|
| At 1 January | **-** | - |
| Additions | **21,219,495** | - |
| Changes in fair value | **15,642,567** | - |
| At 31 December | **36,862,062** | - |

## 23 SEGMENTAL REPORTING

For management purposes, the Group is organised into business units or segments based on its products and services and has four reportable segments as follows:

- Hospitals;
- Medical Centre;
- Pharmacies; and
- Others

Hospital includes entities that provide inpatient, day-care services and Outpatient services to patients to diagnosis the disease and offer medical and surgical treatment as part of in-patient services.

Medical Centre includes entities which offer only outpatient services to patients which includes medical consultation, lab and radiology diagnostic treatment (if required), will refer the patient to hospitals for Inpatient and day care services, if needed.

Pharmacies includes all the retail pharmacies which are outside the premises of the hospitals and medical Centres. Pharmacies act as retail stores and selling pharmaceutical and cosmetic products.

Others represent business units that support the hospitals, medical centre, and pharmacies to manage the supply chain, valet parking, IT services and claim submission etc.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Executive Officers of the Group is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Also, the Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Segment performance is evaluated based on profit or loss including EBIT and EBITDA and is measured consistently with profit or loss in the consolidated financial statements.

## 23 SEGMENTAL REPORTING continued

***As at and for the year ended 31 December 2023***

| | *Hospitals AED* | *Medical centre AED* | *Pharmacies AED* | *Others AED* | *Total segments AED* | *Adjustments and eliminations AED* | *Consolidation AED* |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Out patient revenue | **2,574,458,850** | **439,009,482** | **-** | **-** | **3,013,468,332** | **(176,568,690)** | **2,836,899,642** |
| In patient revenue | **1,564,818,316** | **-** | **-** | **-** | **1,564,818,316** | **-** | **1,564,818,316** |
| Total clinical revenue | **4,139,277,166** | **439,009,482** | **-** | **-** | **4,578,286,648** | **(176,568,690)** | **4,401,717,958** |
| Pharmacy sales | **-** | **-** | **60,963,412** | **-** | **60,963,412** | **(1,197,746)** | **59,765,666** |
| Others | **52,689,462** | **5,599,513** | **520,808** | **1,071,791,955** | **1,130,601,738** | **(1,065,830,815)** | **64,770,923** |
| Rental income | **8,710,845** | **42,241** | **-** | **-** | **8,753,086** | **-** | **8,753,086** |
| **Total revenue** | **4,200,677,473** | **444,651,236** | **61,484,220** | **1,071,791,955** | **5,778,604,884** | **(1,243,597,251)** | **4,535,007,633** |
| **Revenue** | | | | | | | |
| External customer | **4,026,302,403** | **440,237,616** | **60,286,474** | **8,181,140** | **4,535,007,633** | **-** | **4,535,007,633** |
| Intersegment | **174,375,070** | **4,413,620** | **1,197,746** | **1,063,610,815** | **1,243,597,251** | **(1,243,597,251)** | **-** |
| **Total revenue** | **4,200,677,473** | **444,651,236** | **61,484,220** | **1,071,791,955** | **5,778,604,884** | **(1,243,597,251)** | **4,535,007,633** |
| **Segment profit** | **497,333,688** | **94,098,570** | **6,236,926** | **(57,254,415)** | **540,414,769** | **-** | **540,414,769** |
| Finance costs | **138,064,515** | **3,230,851** | **-** | **25,192** | **141,320,558** | **-** | **141,320,558** |
| **Profit (loss) before interest, taxation (EBIT)** | **635,398,203** | **97,329,421** | **6,236,926** | **(57,229,223)** | **681,735,327** | **-** | **681,735,327** |
| Depreciation and amortisation | **313,073,930** | **35,294,314** | **710,386** | **2,577,384** | **351,656,014** | **-** | **351,656,014** |
| **Profit (loss) before interest, taxation, depreciation, amortisation (EBITDA)** | **948,472,133** | **132,623,735** | **6,947,312** | **(54,651,839)** | **1,033,391,341** | **-** | **1,033,391,341** |
| **Total assets as at 31 December 2023** | **8,113,413,285** | **705,216,586** | **132,893,164** | **2,554,299,800** | **11,505,822,835** | **(6,364,417,783)** | **5,141,405,052** |
| **Total liabilities as at 31 December 2023** | **7,024,115,250** | **616,748,356** | **131,699,426** | **2,226,857,476** | **9,999,420,508** | **(6,415,072,388)** | **3,584,348,120** |
| *Other disclosures:* | | | | | | | |
| Additions to property and equipment | **103,991,640** | **29,106,227** | **733,151** | **10,577,674** | **144,408,692** | **-** | **144,408,692** |
| Additions to capital work in progress | **1,575,765** | **287,517** | **-** | **14,807,655** | **16,670,937** | **-** | **16,670,937** |
| Additions to intangible assets | **15,551,656** | **830,344** | **-** | **322,195** | **16,704,195** | **-** | **16,704,195** |
| Property and equipment transferred to a related party (net book value) | **381,304** | **-** | **-** | **-** | **381,304** | **-** | **381,304** |

## 23 SEGMENTAL REPORTING continued

***As at and for the year ended 31 December 2022***

| | *Hospitals AED* | *Medical centre AED* | *Pharmacies AED* | *Others AED* | *Total segments AED* | *Adjustments and eliminations AED* | *Consolidation AED* |
|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | |
| Out patient revenue | 2,271,452,560 | 384,659,120 | - | - | 2,656,111,680 | (184,378,042) | 2,471,733,638 |
| In patient revenue | 1,339,775,446 | - | - | - | 1,339,775,446 | - | 1,339,775,446 |
| Total clinical revenue | 3,611,228,006 | 384,659,120 | - | - | 3,995,887,126 | (184,378,042) | 3,811,509,084 |
| Pharmacy sales | - | - | 64,781,528 | - | 64,781,528 | (249,134) | 64,532,394 |
| Others | 34,435,032 | 523,406 | 634,947 | 793,076,337 | 828,669,722 | (787,879,346) | 40,790,376 |
| Rental income | 7,142,467 | 36,326 | - | - | 7,178,793 | - | 7,178,793 |
| Total revenue | 3,652,805,505 | 385,218,852 | 65,416,475 | 793,076,337 | 4,896,517,169 | (972,506,522) | 3,924,010,647 |
| Revenue | | | | | | | |
| External customer | 3,472,287,492 | 380,758,823 | 65,167,341 | 5,796,991 | 3,924,010,647 | - | 3,924,010,647 |
| Intersegment | 180,518,013 | 4,460,029 | 249,134 | 787,279,346 | 972,506,522 | (972,506,522) | - |
| Total revenue | 3,652,805,505 | 385,218,852 | 65,416,475 | 793,076,337 | 4,896,517,169 | (972,506,522) | 3,924,010,647 |
| Segment profit | 264,610,687 | 73,957,108 | 4,518,615 | 11,492,983 | 354,579,393 | - | 354,579,393 |
| Finance costs | 207,752,430 | 2,923,775 | - | 294,188 | 210,970,393 | - | 210,970,393 |
| Finance income | (42,190,735) | - | - | - | (42,190,735) | - | (42,190,735) |
| Profit before interest, taxation (EBIT) | 430,172,382 | 76,880,883 | 4,518,615 | 11,787,171 | 523,359,051 | - | 523,359,051 |
| Depreciation and amortisation | 315,467,209 | 36,226,139 | 755,653 | 1,938,718 | 354,387,719 | - | 354,387,719 |
| Profit before interest, taxation, depreciation, amortisation (EBITDA) | 745,639,591 | 113,107,022 | 5,274,268 | 13,725,889 | 877,746,770 | - | 877,746,770 |
| Total assets as at 31 December 2022 | 7,715,105,176 | 539,866,298 | 112,194,472 | 2,460,825,938 | 10,827,991,884 | (6,142,856,535) | 4,685,135,349 |
| Total liabilities as at 31 December 2022 | 7,118,332,118 | 546,114,292 | 116,746,941 | 1,967,561,981 | 9,748,755,332 | (6,181,467,081) | 3,567,288,251 |
| *Other disclosures:* | | | | | | | |
| Additions to property and equipment | 66,960,433 | 3,885,063 | 647,416 | 1,051,301 | 72,544,213 | - | 72,544,213 |
| Additions to capital work in progress | 7,085,006 | 27,250 | - | - | 7,112,256 | - | 7,112,256 |
| Additions to intangible assets | 107,882 | 44,578 | - | 3,347,560 | 3,500,020 | - | 3,500,020 |
| Property and equipment transferred to a related party (net book value) | 4,543,000 | - | - | - | 4,543,000 | - | 4,543,000 |

### 23 SEGMENTAL REPORTING continued

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

**Revenue by Geographic segments:**

| | *Emirate of Abu Dhabi AED* | *Emirate of Dubai & Northern Emirate AED* | *Sultanate of Oman AED* | *Kingdom of Saudi Arabia AED* | *Total AED* |
|---|---|---|---|---|---|
| ***For the year ended 31 December 2023*** | | | | | |
| In patient revenue | **1,328,038,236** | **191,300,209** | **45,479,871** | **-** | **1,564,818,316** |
| Out patient revenue | **2,540,144,858** | **170,555,379** | **125,206,532** | **992,873** | **2,836,899,642** |
| Pharmacy | **59,765,666** | **-** | **-** | **-** | **59,765,666** |
| Other income | **43,810,748** | **7,393,304** | **13,473,333** | **93,538** | **64,770,923** |
| | **3,971,759,508** | **369,248,892** | **184,159,736** | **1,086,411** | **4,526,254,547** |
| Rental income | **8,653,870** | **-** | **99,216** | **-** | **8,753,086** |
| Total revenue | **3,980,413,378** | **369,248,892** | **184,258,952** | **1,086,411** | **4,535,007,633** |

| | *Emirate of Abu Dhabi AED* | *Emirate of Dubai & Northern Emirates AED* | *Sultanate of Oman AED* | *Kingdom of Saudi Arabia* AED | *Total AED* |
|---|---|---|---|---|---|
| *For the year ended 31 December 2022* | | | | | |
| In patient revenue | 1,128,632,398 | 161,591,588 | 49,551,460 | - | 1,339,775,446 |
| Out patient revenue | 2,198,066,897 | 155,582,090 | 118,084,651 | - | 2,471,733,638 |
| Pharmacy | 64,532,394 | - | - | - | 64,532,394 |
| Other income | 29,355,334 | 5,567,281 | 5,867,761 | - | 40,790,376 |
| | 3,420,587,023 | 322,740,959 | 173,503,872 | - | 3,916,831,854 |
| Rental income | 7,027,832 | 15,000 | 135,961 | - | 7,178,793 |
| Total revenue | 3,427,614,855 | 322,755,959 | 173,639,833 | - | 3,924,010,647 |

### 24 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## 24 FAIR VALUES OF FINANCIAL INSTRUMENTS continued

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

*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.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the year ended 31 December 2023.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

Following is the information on how the fair value of the financial assets, financial liabilities are determined:

| | ***Fair value as at*** | | | | | |
|---|---|---|---|---|---|---|
| | ***31 December 2023 AED*** | *31 December 2022 AED* | ***Fair value hierarchy*** | ***Valuation techniques and key inputs*** | ***Significant unobservable input*** | ***Relationship of unobservable inputs to fair value*** |
| ***Financial assets*** | | | | | | |
| Quoted equity investments – investment in financial assets (note 22) | **36,862,062** | - | Level 1 | Quoted bid prices in an active market. | None | Not applicable |
| ***Financial liabilities*** | | | | | | |
| Derivative financial instruments - Profit rate swaps measured at fair value (note 25) | **30,396,005** | 28,374,631 | Level 2 | Significant observable inputs | None | Not applicable |

The Group enters into derivative financial instrument transactions with various banks and financial institutions with investment grade credit ratings.

The management assessed that the fair values of all other financial assets and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 25 DERIVATIVE FINANCIAL INSTRUMENT

The Group has entered into a profit rate swap agreement to manage the interest rate exposure. The changes in the fair value of the derivative amounting to AED 2,021,374 (loss) for the year ended 31 December 2023 (2022: AED 9,416,881 (loss)) is included as a component of other expenses in the consolidated statement of comprehensive income.

The fair value of the Group's derivative financial instrument as at 31 December is as follows:

| | ***2023*** ***AED*** | *2022* *AED* |
|---|---|---|
| Profit rate swap – non-current liabilities (note 24) | **30,396,005** | 28,374,631 |

Movement in the derivative financial instrument during the year is as follows:

| | ***2023*** ***AED*** | *2022* *AED* |
|---|---|---|
| At 1 January | **28,374,631** | 32,463,738 |
| Change in fair value (note 6) | **2,021,374** | 9,416,881 |
| Settlement during the year | **-** | (13,505,988) |
| | **30,396,005** | 28,374,631 |

*Profit rate swap:*
The Group uses derivative financial instrument to manage the interest rate risk. As at 31 December 2023 and 31 December 2022, the Group entered into interest rate swap agreement to limit exposure to interest rate increases related to a portion of the floating rate indebtedness. As at 31 December 2023 and 31 December 2022, the aggregate notional principal amounts of the outstanding interest rate swap contract amounted to AED 754,049,451 and AED 491,429,670 respectively. The derivative financial instrument represents the recognition of a financial liability amounting to AED 30,396,005 and AED 28,374,631 as at 31 December 2023 and 31 December 2022 respectively, relating to the fair value adjustment of the profit rate swap.

The fair values of the profit rate swap is estimated using quotes from external sources or the counterparty to the instrument. In valuing unquoted instruments, valuation techniques, including discounted cash flow models and option pricing models, are used as appropriate. The loss on the interest rate swap is recognised in the consolidated statement of comprehensive income for respective years.

The levels of fair value inputs used to measure the investments are characterised in accordance with the fair value hierarchy established by IFRS 7. The management uses its judgment and consider factors specific to the investment in determining the significance of an input to a fair value measurement. The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

Level 1: Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Group uses Level 1 inputs for investments in publicly traded unrestricted securities for which the Group does not have a controlling interest. The Group does not measure the fair value of the financial instruments using Level 1 inputs as of 31 December 2023 and 31 December 2022.

**25 DERIVATIVE FINANCIAL INSTRUMENT** continued

Level 2: 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. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group measures the fair value of financial instruments using this category.

Level 3: Level 3 inputs are unobservable and cannot be corroborated by observable market data. The Group does not measure the fair value of the financial instruments using Level 3 inputs as of 31 December 2023 and 31 December 2022.

Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these instruments to be different than the valuations currently assigned.

During the years ended 31 December 2023 and 31 December 2022, 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.

**Changes in liabilities:**

| | *At 1 January AED* | *Cash flows AED* | *Non -cash transactions AED* | *At 31 December AED* |
|---|---|---|---|---|
| ***31 December 2023*** | | | | |
| Derivative financial instrument – (non-current) | **28,374,631** | **-** | **2,021,374** | **30,396,005** |
| *31 December 2022* | | | | |
| Derivative financial instrument – (non-current) | 32,463,738 | (13,505,988) | 9,416,881 | 28,374,631 |

The 'Non-cash transaction' column includes the effect of changes in fair value of derivative financial instrument. The Group classifies these changes in fair value of derivative financial instrument is a non-cash activity and does not affect the consolidated statement of cash flows.

**26 EARNINGS PER SHARE**

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to the Equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

## 26 EARNINGS PER SHARE continued

The information necessary to calculate basic and diluted earnings per share is as follows:

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| ***Earnings:*** | | |
| Profit attributable to the Equity holders of the Parent | **516,192,124** | 338,142,826 |
| ***Number of shares*** | | |
| Weighted average number of ordinary shares for basic and diluted earnings per share | **5,205,134,175** | 5,205,134,175 |
| ***Earnings per share*** | | |
| Basic and diluted earnings per share (AED) | **0.10** | 0.06 |

During the year, there is no dilution in the weighted average number of shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

## 27 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries of the Group that has material non-controlling interest is provided below:

| | *Country of incorporation* | ***Ownership 2023*** | *Ownership 2022* |
|---|---|---|---|
| Lifecare Hospital LLC | UAE | **50%** | 50% |
| Lifecare International Pharmacy LLC | UAE | **50%** | 50% |
| Lifecare Clinic LLC | UAE | **50%** | 50% |
| Lifecare Medical Centre LLC | UAE | **50%** | 50% |
| Lifecare Clinic LLC - Branch | UAE | **50%** | - |
| Integrated Medical Care Services Company | KSA | **50%** | - |

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Lifecare Hospital LLC & Lifecare International Pharmacy LLC (i) | **52,056,618** | 31,199,023 |
| Lifecare Clinic LLC (ii) | **413,457** | 105,395 |
| Lifecare Medical Centre LLC (iii) | **(2,498,959)** | (2,104,490) |
| Lifecare Clinic LLC - Branch (iv) | **(407,011)** | - |
| Integrated Medical Care Services Company (v) | **(2,092,512)** | - |
| | **47,471,593** | 29,199,928 |

**27 MATERIAL PARTLY-OWNED SUBSIDIARIES** continued

Total comprehensive income for the year attributable to non-controlling interests:

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| Lifecare Hospital LLC & Lifecare International Pharmacy LLC (i) | **26,857,593** | 17,686,686 |
| Lifecare Clinic LLC (ii) | **308,062** | (114,998) |
| Lifecare Medical Centre LLC (iii) | **(394,468)** | (1,135,121) |
| Lifecare Clinic LLC - Branch (iv) | **(407,011)** | - |
| Integrated Medical Care Services Company (v) | **(2,141,531)** | - |
| | **24,222,645** | 16,436,567 |

**i) Lifecare Hospital LLC & Lifecare International Pharmacy LLC ('Lifecare Hospital')**

The summarised financial information of Lifecare Hospital is provided below. This information is based on amounts before inter-company eliminations.

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| ***Statement of comprehensive income for the year:*** | | |
| Revenue | **285,307,003** | 249,907,631 |
| Expenses | **(231,591,817)** | (214,534,259) |
| **Profit for the year** | **53,715,186** | 35,373,372 |
| Profit allocated to non-controlling interest | **26,857,593** | 17,686,686 |
| ***Statement of cash flows for the year:*** | | |
| Cash flows from operating activities | **32,391,794** | 9,272,155 |
| Cash flows used in investing activities | **(8,191,436)** | (11,592,245) |
| Cash flows used in financing activities | **(15,662,565)** | (6,329,486) |
| Net cash inflows (outflows) | **8,537,793** | (8,649,576) |
| ***Statement of financial position:*** | | |
| Total assets | **325,312,819** | 290,765,704 |
| Total liabilities | **(221,199,582)** | (228,367,657) |
| Net assets | **104,113,237** | 62,398,047 |
| Accumulated non-controlling interest | **52,056,618** | 31,199,023 |

**27 MATERIAL PARTLY-OWNED SUBSIDIARIES** continued

**ii) Lifecare Clinic LLC ('Lifecare Clinic')**

The summarised financial information of Lifecare Clinic is provided below. This information is based on amounts before inter-company eliminations.

| | ***2023*** | *2022* |
|---|---|---|
| | ***AED*** | *AED* |
| ***Statement of comprehensive income for the year:*** | | |
| Revenue | **2,949,860** | 2,266,434 |
| Expenses | **(2,333,736)** | (2,496,429) |
| Profit (loss) for the year | **616,124** | (229,995) |
| Profit (loss) allocated to non-controlling interest | **308,062** | (114,998) |
| ***Statement of cash flows for the year:*** | | |
| Cash flows from operating activities | **1,236,461** | 300,000 |
| Cash flows used in investing activities | **(1,458,437)** | **-** |
| Cash flows from (used) in financing activities | **221,976** | (300,000) |
| Net cash inflows (outflows) | **-** | **-** |
| ***Statement of financial position:*** | | |
| Total assets | **4,887,093** | 2,962,801 |
| Total liabilities | **(4,060,180)** | (2,752,012) |
| Net assets | **826,913** | 210,789 |
| Share of non-controlling interest | **413,457** | 105,395 |

**27 MATERIAL PARTLY-OWNED SUBSIDIARIES** continued

**iii) Lifecare Medical Centre LLC (‘Lifecare Medical Centre’)**

The summarised financial information of Lifecare Medical Centre is provided below. This information is based on amounts before inter-company eliminations.

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| ***Statement of comprehensive income for the year:*** | | |
| Revenue | **419,433** | 1,562,913 |
| Expenses | **(1,208,369)** | (3,833,156) |
| Loss for the year | **(788,936)** | (2,270,243) |
| Loss allocated to non-controlling interest | **(394,468)** | (1,135,121) |
| ***Statement of cash flows for the year:*** | | |
| Cash flows from (used in) operating activities | **1,766,401** | (11,428) |
| Cash flows used in investing activities | **(1,766,460)** | - |
| Cash flows used in financing activities | **(225)** | - |
| Net cash outflows | **(284)** | (11,428) |
| ***Statement of financial position:*** | | |
| Total assets | **969,302** | 1,273,074 |
| Total liabilities | **(5,967,220)** | (5,482,054) |
| Net liabilities | **(4,997,918)** | (4,208,980) |
| Share of non-controlling interest | **(2,498,959)** | (2,104,490) |

**iv) Lifecare Clinic LLC - Branch**

The summarised financial information of Lifecare Clinic LLC - Branch is provided below. This information is based on amounts before inter-company eliminations.

| | ***2023 AED*** |
|---|---|
| ***Statement of comprehensive income for the year:*** | |
| Revenue | **1,937,004** |
| Expenses | **(2,751,026)** |
| Loss for the year | **(814,022)** |
| Loss allocated to non-controlling interest | **(407,011)** |
| ***Statement of cash flows for the year:*** | |
| Cash flows from operating activities | **634,576** |
| Cash flows used in investing activities | **(777,667)** |
| Cash flows used in financing activities | **119,994** |
| Net cash outflows | **(23,097)** |

**27 MATERIAL PARTLY-OWNED SUBSIDIARIES** continued

| | ***2023*** ***AED*** |
|---|---|
| **iv) Lifecare Clinic LLC - Branch** continued | |
| ***Statement of financial position:*** | |
| Total assets | **1,230,163** |
| Total liabilities | **(2,044,185)** |
| Net liabilities | **(814,022)** |
| Share of non-controlling interest | **(407,011)** |

**v) Integrated Medical Care Services Company**

The summarised financial information of Integrated Medical Care Services Company is provided below. This information is based on amounts before inter-company eliminations.

| | ***2023*** ***AED*** |
|---|---|
| ***Statement of comprehensive income for the year:*** | |
| Revenue | **1,086,411** |
| Expenses | **(5,369,473)** |
| Loss for the year | **(4,283,062)** |
| Loss allocated to non-controlling interest | **(2,141,531)** |
| ***Statement of cash flows for the year:*** | |
| Cash flows from operating activities | **11,661,560** |
| Cash flows used in investing activities | **(11,238,820)** |
| Cash flows from financing activities | **408,428** |
| Net cash inflows | **831,168** |
| ***Statement of financial position:*** | |
| Total assets | **13,264,123** |
| Total liabilities | **(17,449,146)** |
| Net liabilities | **(4,185,023)** |
| Share of non-controlling interest | **(2,092,512)** |

## 28 CONTINGENCIES AND COMMITMENTS

**Contingencies:**
As at 31 December 2023, the Group had contingent liabilities in respect of labour guarantees amounting to AED 3,909,531 (2022: AED 1,622,432) and performance guarantees amounting to AED 11,584,099 (2022: AED 9,453,423), arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group in the normal course of business is involved from time to time in claims and counter claims with respect to contractors, customers and other parties. The Group undertake a periodic review of its potential exposure to claims made against it by vendors and as at 31 December 2023 there is no material exposure that requires to be disclosed.

**Capital commitments:**
Capital expenditure contracted but not yet incurred at the end of the year are as follows:

| | ***2023 AED*** | *2022 AED* |
|---|---|---|
| Software | **47,279,099** | **-** |
| Building improvements | **31,050,934** | 9,127,550 |
| Medical equipment | **16,355,018** | 6,399,924 |
| Others | **3,393,828** | 727,023 |
| | **98,078,879** | 16,254,497 |