GULF MEDICAL PROJECTS COMPANY

PUBLIC SHAREHOLDING COMPANY

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

BOARD OF DIRECTORS REPORT

The Board of Directors have the pleasure in submitting their report and the audited consolidated financial statements of **Gulf Medical Projects Company ("Company") and its subsidiary** (together referred to as the **"Group"**) for the year ended 31 December 2022. These consolidated financial statements are prepared by management. Management has taken responsibility for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) and the applicable provision of UAE Federal Law No. 32 of 2021 on Commercial Companies and the Articles of Association of the Company and the Board of Directors have given clearance for issuance of these consolidated financial statements on 2 February 2023

Incorporation

Gulf Medical Projects Company – Sharjah is a public shareholding company incorporated in Sharjah by an Amiri Decree No.48/79 issued by His Highness the Ruler of Sharjah on 2 August 1979.

The Company is domiciled in Sharjah City and its registered address is P.O. Box 5385, Sharjah, United Arab Emirates.

Principal activities

The main activities of the Company and its subsidiary (together referred to as the "**Group**") are general hospital, telehealth services and home health care center, general clinic, import, hospitals management, construction of medicine product factories, trading in medical equipment and its instruments, medicine and medical tools.

Financial results

Total revenue of the Group for the year amounted to AED 503,833 thousand (2021: AED 486,834 thousand) and the Group generated a profit of AED 43,524 thousand (2021: AED 44,006 thousand).

Transactions with related parties

The consolidated financial statements disclose related parties transactions and balances. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Board of Directors

Sheikh Dr. Faisal Bin Khalid Khalid Al Qasimi	Chairman
Mr. Salem Abdulla Salem Alhosani	Vice -Chairman
Sheikh Majid bin Faisal bin Khaled Al Qassimi	Managing Director
Sheikh Sultan Bin Saeed Majid Al Qassimi	Member
Sheikh Mohammad Bin Faisal Khalid Al Qassimi	Member
Mr. Ahmad Mohammed Hassan AlHosani	Member
Mr. Tareq Abdulhadi Munser AlAjmi	Member
Mr. Mohammed Salem Abdulla Salem Alhosani	Member
Mr. Abdulla Salem Abdulla Salem Alhosani	Member

Proposed Appropriation of Profits and Board of Director's Remuneration

- In respect of the current year, the Board of Directors have proposed a cash dividend of 69,891,609 at AED. 0.10 per share to be paid to shareholders in 2023.
- It has been also proposed that the Board of Directors remuneration for the year be AED 3,200,000.

The above mentioned proposed dividends and board of directors remuneration are subject to the approval of the shareholders at the Annual General Meeting.

Auditors

The consolidated financial statements for the year ended 31 December 2022 were audited by Talal Abu-Ghazaleh & Co. International - Sharjah and they have indicated their willingness to continue as the auditor of the Group for the year 2023. A resolution proposing their re-appointment will be put at the annual general meeting.

On behalf of the Board of Directors

Sheikh Dr. Faisal Bin Khalid Khalid Al Qasimi
(Chairman)

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Independent Auditor's Report to the Shareholders of
Gulf Medical Projects Company
Public Shareholding Company
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Gulf Medical Projects Company** (the **"Company"**) **and its subsidiary** (the **"Group"**), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated statement of income and 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 significant accounting policies.

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 2022, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 on 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. We have determined the matter described below to be the key audit matters to be communicated in our report.

Valuation of investment properties

The Group has investment properties amounting to AED. 85,105 thousand (Note 8) of the consolidated financial statements as at 31 December 2022. The investment properties represent 6.6% of the total assets as at 31 December 2022. The management of the Group determines the fair value of the investment properties at each reporting date. The Group uses expert external valuers to determine the fair value of the investment properties. The valuation of the investment properties are dependent on estimates and assumptions.

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منطقة المجاز ٣، مركز الغانم للأعمال
مكتب رقم ٣٠٢، ٣٠١
هاتف: ٨٨٠٠ ٥٣٧ ٦ ٩٧١+
فاكس: ٨٨١١ ٥٣٧ ٦ ٩٧١+
ص.ب: ٩٥٢ الشارقة، الإمارات العربية المتحدة

Independent Auditor's Report to the Shareholders of Gulf Medical Projects Company (Continued)

Key audit matters (Continued)

Valuation of investment properties (Continued)

We performed the following audit procedures :

- We have evaluated the competence, objectivity and independence of the valuers.
- We have assessed and challenged the appropriateness of the underlying data, methodologies and assumptions used.
- We have assessed the Group's disclosure relating to investment properties and its fair value are in compliant with the related International Financial Reporting Standards.

Accounts receivable and adequacy of provision for impairment loss

The Group has significant accounts receivable (Note 12) of AED. 202,149 thousand as at 31 December 2022 before provision for impairment loss of accounts receivable of AED. 104,921 thousand which is significant to the Group as its represents approximately 15.6% of its total assets and there is a risk over the recoverability of the overdue amounts. Due to the inherently judgmental nature in the computation of the expected credit losses (ECL), there is a risk that the amount of ECL may be misstated.

We performed the following audit procedures :

- Performed test of control over accounts receivables processes to determine whether controls are operating effectively throughout the year.
- Requested direct confirmations from a sample of outstanding balances, performed alternate procedures for non-replies, including verification of the supporting documents and subsequent collections.
- Reviewed the management assessment of recoverability of accounts receivable through detailed analysis of ageing of receivables and also assessed the adequacy of provisions taken based on Expected Credit Loss "ECL Model".
- Inquired from the management about any past due accounts with no subsequent collections and management's plan for recovering these receivables.
- Inquired about disputes, if any, with customers during the year and reviewed any uncollected amounts to assess recoverability.

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's Board of Directors Report of 2022, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Group's Board of Directors, prior to 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.

Independent Auditor's Report to the Shareholders of Gulf Medical Projects Company (Continued)

Other information (Continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and applicable provisions of UAE Federal Law No. 32 of 2021 and the Articles of Association of the Company and for such internal control as 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, 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 of 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 auditor's 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 auditor's 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.

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, related safeguards.

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 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

As required by UAE Federal Law No. 32 of 2021 we report that:

1. We have obtained all the information and explanation we considered necessary for our audit.

2. The consolidated financial statements are prepared and comply, in all material respect with the applicable provisions of UAE Federal Law No. 32 of 2021.

3. The Group has maintained proper books of account.

Independent Auditor's Report to the Shareholders of Gulf Medical Projects Company (Continued)

Report on Other Legal and Regulatory Requirements (Continued)

4. The financial information of the Board of Directors report are in agreement with the books of account and records of the Group.

5. Investment and shares purchased by the Group during the year ended 31 December 2022 disclosed in Note 9.

6. Transactions and terms with related parties are disclosed in Note 11.

7. The Social Contributions made during the year disclosed in Note 28.

8. Based on the information and explanation that has been made available to us nothing came to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of UAE Federal Law No. 32 of 2021 or the Articles of Association of the Company which would have a material affect on the Group's activities or on its financial position for the year.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL

Ali Hasan Shalabi
Licensed Auditor No. 34

Sharjah, 2 February 2023

GULF MEDICAL PROJECTS COMPANY (PJSC)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 **EXHIBIT A**

	Note	2022 AED '000'	2021 AED '000'
ASSETS			
Non-Current Assets			
Property and equipment	5	**710,961**	727,696
Intangible assets	6	**1,287**	1,714
Right-of-use assets	7	**10,534**	12,965
Investment properties	8	**85,105**	83,597
Investments at fair value through other comprehensive income (FVTOCI)	9	**209,945**	187,985
Total Non-Current Assets		**1,017,832**	1,013,957
Current Assets			
Inventories	10	**16,863**	13,893
Due from a related party	11	**2,258**	2,090
Investments at fair value through profit or loss (FVTPL)	9	**36,748**	32,741
Accounts receivable and others	12	**109,115**	119,800
Cash and bank balances	13	**112,192**	121,438
Total Current Assets		**277,176**	289,962
TOTAL ASSETS		**1,295,008**	1,303,919
Equity and Liabilities			
Equity			
Share capital	14	**698,916**	698,916
Reserves	15	**292,453**	291,960
Cumulative change in fair value of investment measured at fair value through other comprehensive income		**(98,271)**	(120,231)
Retained earnings		**178,343**	218,493
Net equity attributable to equity holders of the parent company		**1,071,441**	1,089,138
Non-controlling interest	17	**53,452**	46,530
Total Equity - Exhibit C		**1,124,893**	1,135,668
Non-Current Liabilities			
Employees' end of service benefits	18	**22,953**	20,074
Lease liabilities	19	**7,143**	8,556
Total Non-Current Liabilities		**30,096**	28,630
Current Liabilities			
Accounts payable and others	20	**137,306**	125,915
Lease liabilities	19	**2,713**	1,956
Bank loans	21	--	11,750
Total Current Liabilities		**140,019**	139,621
TOTAL EQUITY AND LIABILITIES		**1,295,008**	1,303,919

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, result of operation and cash flows of the Group as of, and for, the periods presented therein.

These consolidated financial statements were approved for issue by the Board of Directors on 2 February 2023 and signed on their behalf by :

Sheikh Dr. Faisal Bin Khalid Khalid Al Qasimi
(Chairman)

Sheikh Majid bin Faisal Khaled Al Qassimi
(Managing Director)

GULF MEDICAL PROJECTS COMPANY (PJSC)
CONSOLIDATED STATEMENT OF INCOME FOR THE
YEAR ENDED 31 DECEMBER 2022

EXHIBIT B

	Note	2022 AED '000'	2021 AED '000'
Revenues	25	**503,833**	486,834
Cost of revenues	26	**(386,465)**	(358,760)
Gross profit		**117,368**	128,074
Fair value gain of investments at FVTPL		**4,007**	6,585
Fair value loss of investment properties		**(67)**	(3,327)
Other income	27	**20,224**	14,695
General and administrative expenses	28	**(97,783)**	(101,169)
Finance costs	29	**(225)**	(852)
Profit for the Year – Exhibit C & D		**43,524**	44,006
Attributable To :			
Equity holders of the parent company		**36,602**	35,580
Non-controlling interest		**6,922**	8,426
Total		**43,524**	44,006
Basic earnings per share (AED)	30	**0.052**	0.051

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL
PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Sheikh Dr. Faisal Bin Khalid Khalid Al Qasimi
(Chairman)

Sheikh Majid bin Faisal Khaled Al Qassimi
(Managing Director)

	2022 AED '000'	2021 AED '000'
Profit for the year	**43,524**	44,006
Other comprehensive income :		
Items that will not be reclassified subsequently to profit or loss		
Increase in fair value of investments at FVTOCI	**21,960**	53,938
Loss on revaluation of property and equipment	**(3,167)**	--
Net other comprehensive income	**18,793**	53,938
Total comprehensive income for the year - Exhibit C	**62,317**	97,944
Attributable to :		
Equity holders of the parent company	**55,395**	89,518
Non-controlling interest	**6,922**	8,426
Total	**62,317**	97,944

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Sheikh Dr. Faisal Bin Khalid Khalid Al Qasimi
(Chairman)

Sheikh Majid bin Faisal Khaled Al Qassimi
(Managing Director)

GULF MEDICAL PROJECTS COMPANY (PJSC)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022 **EXHIBIT C**

	Attributable to equity holders of the parent company						
	Share capital AED '000'	Reserves AED '000'	Cumulative change in fair value of investment measured FVTOCI AED '000'	Retained earnings AED '000'	Total AED '000'	Non-Controlling interest AED '000'	Total AED '000'
Balance at 1 January 2022	698,916	291,960	(120,231)	218,493	1,089,138	46,530	1,135,668
Profit for the year ended 31 December 2022 - Exhibit B	--	--	--	36,602	36,602	6,922	43,524
Other comprehensive income	--	(3,167)	21,960	--	18,793	--	18,793
Total comprehensive income	--	(3,167)	21,960	36,602	55,395	6,922	62,317
Cash dividends - Note 16	--	--	--	(69,892)	(69,892)	--	(69,892)
Board of directors remuneration - Note 16	--	--	--	(3,200)	(3,200)	--	(3,200)
Transferred to statutory reserve	--	3,660	--	(3,660)	--	--	--
Balance at 31 December 2022 - Exhibit A	698,916	292,453	(98,271)	178,343	1,071,441	53,452	1,124,893

THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

GULF MEDICAL PROJECTS COMPANY (PJSC)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

EXHIBIT C
CONTINUED

	Attributable to equity holders of the parent company						
	Share capital AED '000'	Reserves AED '000'	Cumulative change in fair value of investment measured FVTOCI AED '000'	Retained earnings AED '000'	Total AED '000'	Non-Controlling interest AED '000'	Total AED '000'
Balance at 1 January 2021	698,916	288,402	(174,169)	259,468	1,072,617	38,104	1,110,721
Profit for the year ended 31 December 2021 - Exhibit B	--	--	--	35,580	35,580	8,426	44,006
Other comprehensive income	--	--	53,938	--	53,938	--	53,938
Total comprehensive income	--	--	53,938	35,580	89,518	8,426	97,944
Cash dividends - Note 16	--	--	--	(69,892)	(69,892)	--	(69,892)
Board of directors remuneration - Note 16	--	--	--	(3,105)	(3,105)	--	(3,105)
Transferred to statutory reserve	--	3,558	--	(3,558)	--	--	--
Balance at 31 December 2021 - Exhibit A	698,916	291,960	(120,231)	218,493	1,089,138	46,530	1,135,668
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THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

GULF MEDICAL PROJECTS COMPANY (PJSC)
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 **EXHIBIT D**

	2022 AED '000'	2021 AED '000'
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year – **Exhibit B**	**43,524**	44,006
Adjustments for:		
Depreciation of property and equipment	**24,277**	24,680
Depreciation of right-of-use assets	**2,431**	1,451
Amortization of intangible assets	**427**	427
Fair value gain on revaluation of investments at FVTPL	**(4,007)**	(6,585)
Fair value loss on investment properties	**67**	3,327
Loss from a related party	**6**	285
Employees end of service benefits	**6,087**	5,164
Provision for impairment loss of accounts receivable	**27,788**	32,074
Finance cost – bank loans	**21**	723
Finance cost – lease liabilities	**204**	129
Gain on sale of property and equipment	**(288)**	(29)
Interest income	**(1,020)**	(541)
Operating cash flows before changes in operating assets and liabilities	**99,517**	105,111
(Increase)/decrease in inventories	**(2,970)**	92
(Increase)/decrease in due from a related party	**(174)**	334
(Increase)/decrease in accounts receivable and others	**(16,773)**	23,154
Increase in accounts payable and others	**11,458**	7,498
Settlements of employees end of service benefits	**(3,208)**	(3,890)
Net Cash Provided by Operating Activities	**87,850**	132,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in fixed deposits	**14,633**	(8,193)
Interest income received	**690**	477
Purchase of property and equipment	**(12,287)**	(7,906)
Proceeds from sale of property and equipment	**291**	96
Purchase of investments at FVTPL	**--**	(26,027)
Net Cash Provided by/(Used in) Investing Activities	**3,327**	(41,553)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of lease liabilities	**(860)**	(4,033)
Repayments of bank loans	**(11,750)**	(47,000)
Finance cost paid – bank loans	**(88)**	(1,011)
Cash dividends paid	**(69,892)**	(69,892)
Board of directors remuneration paid	**(3,200)**	(3,105)
Net Cash Used in Financing Activities	**(85,790)**	(125,041)
Net increase/(decrease) in cash and cash equivalents	**5,387**	(34,295)
Cash and cash equivalents at beginning of year	**38,984**	73,279
Cash and Cash Equivalents at end of Year - Note 31	**44,371**	38,984

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

Gulf Medical Projects Company – Sharjah (hereinafter referred to as the **"Company"**) is a public shareholding company incorporated in Sharjah by an Amiri Decree No.48/79 issued by His Highness the Ruler of Sharjah on 2 August 1979.

The main activities of the Company and its subsidiary (together referred to as the "**Group**") are general hospital, telehealth services and home healthcare center, general clinic, import, hospitals management, construction of medicine product factories, trading in medical equipment and its instruments, medicine and medical tools.

The Company is domiciled in Sharjah City and its registered address is P.O. Box 5385, Sharjah, United Arab Emirates.

2. NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS

The accounting policies adopted in the preparation of consolidated financial statements are consistent with those applied by the Group in the interpretation of the consolidated financial statements for the year ended 31 December 2021 except for the adoption of the following new standards, interpretation and amendments.

2.1 Standards, interpretations issued and effective for the current year

The Group has adopted all the applicable new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2022.

- ***Proceeds before intended use (Amendments to IAS (16) Property, Plant and Equipment.***

  The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

  The amendments also clarify that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

  If not presented separately in the statement of income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of income include(s) such proceeds and cost.

- ***Reference to the Conceptual Framework (Amendments to IFRS 3).***

  Minor amendments were made to IFRS 3 "Business Combinations" to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

2. NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.1 Standards, interpretations issued and effective for the current year (Continued)

- ***Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37).***

  The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract, among others)

  Before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- ***Annual improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)***

  - ***IFRS 1 Amendments, First-time Adoption of International Financial Reporting Standards***

    The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

  - ***IFRS 9 Amendments, Financial Instruments***

    The amendments clarify the fees an entity includes when it applies the '10 per cent' in assessing whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  - ***IFRS 16 Amendments, Leases***

    The amendment to illustrative example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements.

  - ***IAS 41 Amendments, Agriculture***

    The amendment removes the requirement in paragraph 22 of IAS 41 for the entities to exclude taxation cash flows when measuring the fair value under IAS 41

  These amendments had no material impact on the consolidated financial statements of the Group.

2. NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.2 Standards, interpretations and amendments in issue not yet effective and not early adopted:

		Effective date
IAS 1 – Amendment	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS- 17 – New	Insurance Contracts	1 January 2023
IAS 1 – Amendment & IFRS practice statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8- Amendment	Definition of Accounting Estimate	1 January 2023
IAS 12- Amendment	Deferred Tax related to Assets and Liabiliti arising from a from a Single transaction	1 January 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and an and its Associate or Joint Venture	Indefinite effective date

If applicable, the Group intends to adopt these new and amended standards and interpretations when they become effective. The management anticipates that the adoption of the above standards and interpretations in future periods may have an impact on the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The Group's 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 requirements of the UAE Federal Law No. 32 of 2021 on Commercial Companies.

3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, land and investments in financial assets which has been measured on the basis of fair value/valuation.

3.3 Functional and Presentation Currency

These consolidated financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's Functional Currency. Amounts presented in AED in these consolidated financial statements are rounded to the nearest thousand.

3.4 Use of estimates, assumptions and judgment

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgment, estimates and assumption that affect the application of policies and reported amount of assets and liabilities, income and expenses, other disclosures and disclosures of contingent liabilities.

3. BASIS OF PREPARATION (CONTINUED)

3.4 Use of estimates, assumptions and judgment (Continued)

The Group based its assumptions, judgments and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future development, however, may change due to market changes or circumstances arising beyond the control of the Group. Actual results may differ from these estimates. Such changes are reflected in the consolidated financial statements when they occur.

Estimates, judgments and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Estimates, assumptions and judgments are continually evaluated and are based on management historical experience and other factors, including expectation of future events that are believed to be reasonable under circumstance.

Estimates, assumptions and judgments with significant risk of material adjustment in the future year mainly comprise of the following:

Fair value measurements

Some of the Group’s assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an assets or liability, the Group use market observable data to the extent it is available. Where level 1 inputs are not available, the Group engages qualified external values to perform the valuation. The management works closely with qualified external values to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and its inputs used in determining the fair value of various assets and liabilities are disclosed in the respective notes.

Classification of investment

Management designates at the time of initial recognition of investments in securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, management has considered the detailed criteria for determination of such classification as set out in IFRS 9, and accordingly management is satisfied that its investment in securities are appropriately classified.

Impairment of non-financial assets

The Group’s management evaluate whether there are indicators that suggest non-financial assets have suffered impairment in accordance with accounting policies. The recoverable amount of an asset is determined based on the fair value less cost of disposal of the specific asset impaired.

Provision relating to contracts

The Group reviews all its arrangements on a regular basis to identify any arrangements where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under it. The unavoidable costs under contract reflect the least net cost of exiting from the contract which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. The Group estimates any such provision based on the facts and circumstances relevant to the contracts.

Determining the lease terms

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

3. BASIS OF PREPARATION (CONTINUED)

3.4 Use of estimates, assumptions and judgment (Continued)

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its properties and equipment for calculating depreciation. This estimate is determined after considering the current usage of the assets compared to full utilization capabilities of the assets and physical wear and tear. Group's management reviews the residual value and useful lives annually.

Impairment loss on property and equipment

The Group reviews its property and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be reported in consolidated statement of income the Group makes judgments as to whether there is any observable data indication that there is a reduction in the carrying value of property and equipment. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property and equipment.

Impairment of inventories

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

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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Provision for expected credit loss "ECL"

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer note 12 for the provision for the loss allowance for the year.

3. BASIS OF PREPARATION (CONTINUED)

3.5 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the parent entity and entity controlled by the Company (its subsidiary). Control is achieved when :

- The Group has power over the investee.
- The Group is exposed, or has rights, to variable returns from its involvement with the investee.
- The Group has the ability to use its power over the investee to affect its returns.

The Group reassesses 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 mentioned above.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts circumstances whether it has power over an investee, including :

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed during the year included in the consolidated statement of income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of a subsidiary to bring their accounting policies into line with the Group accounting policies.

All intragroup balances and income, equity and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group ownership interests in a subsidiary that do not result in the Group losing control over a subsidiary are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

The details of the subsidiary is as follows :

Company	% of ownership 2022	% of ownership 2021	Principal activities	Country of incorporation
Al Zahra (Pvt.) Hospital Dubai (L.L.C)	**68.38**	68.38	General Hospital, home health care center and telehealth services	UAE

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

The property and equipment are carried at their cost/revaluation less any accumulated depreciation and any accumulated impairment. Cost includes purchase cost together with any incidental costs of acquisition.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item and the cost of the item can be measured reliably.

The cost of day to day service of property and equipment is expensed as incurred.

Depreciation of an asset begins when it is available for use in the manner intended by management.

Depreciation is calculated on a straight line basis over the estimated useful lives as follows :

	Estimated useful lives
	Years
Hospital buildings	10 – 40
Hospital furniture and equipment	1 – 10
Motor vehicles	3 – 5
Other furniture and equipment	1-5

No depreciation is charged on land and capital work-in-progress. The depreciation charge for each period is recognized in the consolidated statement of income.

The estimated useful lives, residual values and depreciation method are reviewed and adjusted if appropriate at each reporting date. An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than estimated recoverable amount.

Gain or loss arising on disposal of any item of property and equipment (calculated as the difference between the net disposal proceeds, and the carrying amount of the assets) is recognized in the consolidated statement of income.

Capital work-in-progress is stated at cost on present property that is being constructed or developed for future use. When commission, Capital work-in-progress is transferred to the respective category and depreciated in accordance with the Group's policy.

4.2 Intangible assets

Intangible assets represents the total amounts paid towards software and is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on straight line basis over a period of eight years from the date they are available for use.

4.3 Current versus non-current classification

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Current versus non-current classification (Continued)

All other assets are classified as non-current.

A liability is current when :

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

The Group classifies all other liabilities as non-current.

4.4 Leases

The Group evaluates at the beginning of the lease agreement whether the contract is a lease agreement or includes a rental arrangement. If the contract is wholly or partially transferring the right to control the use of a specific asset from one party to another for a specific period of time in exchange for a specific compensation or allowance, then the Group recognizes the right to use the assets and lease obligations with the exception of short-term leases of one year or less and the leases for leased assets with low value. For these leases, the Group recognizes lease payments as an operating expense on a straight line basis over the term of the lease, unless another systematic basis further presents the period of time in which the economic benefits from the leased assets are amortized.

Group as a lessee

Lease obligations

Lease obligations are recognized and measured initially at the present value of lease payments that have not been paid on the commencement date of the lease contract, and those payments are discounted using the interest rate implicit in the contract, and if it is not known, then the Group uses the incremental borrowing interest rate.

Unpaid lease payments include:

- Fixed lease payments less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, measured initially using the index or rate at the start date of the lease.
- The amount the lessee is expected to pay the lessor when there is a residual value guaranteed in the lease agreement.
- The price of exercising buying options, if the lessee is reasonably certain of exercising the options.
- Termination fines, if the lease reflects the exercise of the option to terminate the lease.

The lease liability is presented as a separate component of the Group's consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease obligation and by reducing the carrying amount to reflect the lease payments paid.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a significant event or change in circumstances that lead to a change in the evaluation of the purchase option exercise, in which case the lease liability is re-measured by discounting the revised lease payments using the revised discount rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Leases (Continued)

Group as a lessee (Continued)

Lease obligations (Continued)

- Rental payments change due to changes in an index or rate or change in expected payments under a guaranteed residual value, in which cases the rental liabilities are re-measured by discounting the adjusted rental payments using an unchanged discount rate (unless the rental payments change due to the change in the floating interest rate. In this case, the adjusted discount rate is used.)
- The lease is amended and the lease amendment is not counted as a separate lease contract, in which case the lease liabilities are re-measured based on the modified lease term by discounting the modified lease payments using the modified discount rate at the date of modification.

Right-of-use assets

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments made on or before the inception day, minus any lease incentives received and any initial direct costs subsequently measured minus accumulated depreciation and impairment losses.

When the Group incurs a commitment to the costs of dismantling and removing a leased asset, restoring the site on which it is located, or restoring the asset to the required condition under the terms of the lease contract, the provision is recognized and measured in accordance with IAS (37) and to the extent that the costs relate to the right-of-use assets, the costs are included in related right-of-use assets, unless these costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the contract term or the useful life of the specified asset.

If the lease contract transfers ownership of the underlying asset or right-of-use cost reflects that the entity expects to exercise the purchase option, then the related use value is depreciated over the useful life of the underlying asset. Depreciation starts on the date of commencement of the lease agreement.

Right-of-use assets are presented as a separate component in the consolidated statement of financial position.

The Group applies IAS (36) to determine whether the right to use value has decreased and calculates any impairment loss identified as described in the “property and equipment” policy.

As a practical expedient, IFRS 16 allows a lessee not to separate the non-leased components, and instead any lease contract and associated non-lease components are counted as a single arrangement. The Group did not use this practical expedient. For contracts that contain a leasing component and one or more leasing or non-leasing components, the Group allocates consideration in the contract to each leasing component based on the independent relative price of the leasing component and the total sum of the single price of the non-leasing components.

The Group as Lessor

Operating leases

The rental income from the operating the lease is recognized on a consistent basis and evenly over the period of the related contract. The initial direct costs incurred by the entity when negotiating and preparing the contract are added to the value in which the leased asset appears in the consolidated statement of financial position, and they are recognized as expenses during the contract period in the same way that is adopted for lease income. Leased assets are depreciated under operating lease contracts, based on the same depreciation policies that the entity follows for similar assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Investment properties

Land and buildings owned by the Group for the purpose of generating rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes are classified as investment properties. Investment properties are initially measured at cost includes expenditures that are directly attributable to the acquisition of the investment properties.

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in consolidated statement of income.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in consolidated statement of income when an investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income within “Other operating income” in the year of retirement or disposal.

Transfers are made to investment properties when only there is a change in use evidenced by ending of owner-occupation on commencement of an operating lease of significant portion of the property to another party. Transfers are made from investment properties when and only when there is a change in use based on the business model.

4.6 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an 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 of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group’s assets. When 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 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 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.

Financial assets

- **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost (AC), fair value through other comprehensive income (FVTOCI), 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 accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, 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. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized 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.

- **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

- **Subsequent measurement**

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

As of reporting date, that the Group contracted with only the financial assets at amortized cost and financial assets designated at fair value through other comprehensive income (OCI) with no recycling at cumulative gains and losses upon derecognition (equity instruments) and financial assets at fair value through profit or loss (FVTPL).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

Financial assets (Continued)

- **Financial assets at amortized cost**

  The Group measures financial assets at amortized 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

  The Group's financial assets at amortized cost includes accounts receivable and others, cash and bank balances and due from a related party.

- **Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (Equity instruments)**

  The Group subsequently measures financial assets at fair value through other comprehensive income at fair value and gains and losses on fair value changes are recognized in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in statement of income as other income when the Group's right to receive payments is established, except when the Group benefits from such proceeds as a recovery of part of cost of the instrument in which case, such gains are recorded in other comprehensive income. Equity instruments at FVTOCI are not subject to impairment.

- **Financial assets at fair value through profit or loss (FVTPL)**

  Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

  This category includes quoted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on quoted equity investments are recognized under investment and other income in the consolidated statement of income when the right of payment has been established.

- **Impairment of financial assets**

  The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments 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. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and 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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

Financial assets (Continued)

- **Impairment of financial assets (Continued)**

  For accounts receivable the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

  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.

Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual arrangement provision of the instrument.

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities can be subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis, or at fair value through profit or loss.

As of reporting date, that the Group contracted with only the financial liability at amortized cost.

- ***Financial liabilities at amortized cost***

  The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

  The Group's financial liabilities at amortized cost includes accounts payable and others, lease liabilities and bank loans.

- **Derecognition of financial liabilities**

  The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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 recognized in the statement of income.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Revenue from contracts with customers balances (Continued)

Contract assets
A contract asset is the right to the consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring the goods or service to the customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Accounts receivable
Accounts receivable are amount due from customers for goods sold or services performed in the ordinary course of business. The accounting policies of financial assets in financial instruments paragraph details the initial recognition and subsequent measurement of accounts receivable.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

4.9 Cash and cash equivalents

For the purpose of preparing consolidated statement of cash flows (Exhibit D) Cash and cash equivalents comprise cash in hand and bank balances and fixed deposits with an original maturity of three months or less from date of placement.

4.10 Inventories

Inventories are stated at lower of cost or net realizable value, cost is determined using the first-in first-out (FIFO) basis. Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods to their present condition and location. Net realizable value is based on the normal selling price, less cost expected to be incurred on disposal. Provision is made where necessary for obsolete, slow-moving and damaged items.

4.11 Provisions

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the consolidated statement of financial position date.

Provisions are reviewed and adjusted at each consolidated statement of financial position date. If outflows, to settle the provisions, are no longer probable, reversal of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

4.12 Employees' end of service benefits

Employees' end of service benefits is calculated in accordance with U.A.E. Labour Law requirements.

Retirement pension and social benefit scheme for the U.A.E citizens are made by the Group in accordance with Federal Law.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.13 Accounts payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and the amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4.14 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 recognized in the consolidated statement of income in the period which they are incurred.

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and rebates.

- ***Rendering of services***

  Health care service revenues primarily comprise fees charged for inpatient and outpatient medical services. Services include charges for accommodation, theatre, medical professional services, equipment, laboratory and pharmaceutical items used. Revenue is recorded and recognized during the period in which medical service is provided based on the amounts due from the patient and/or medical funding entities. Fees are calculated and billed based on various tariffs agreed with insurers.

- ***Sale of goods***

  Revenue is recognized for the performance obligation when control over the corresponding goods representing drug and cosmetics is transferred to the customers. The timing of revenue recognition of this performance obligation is at point in time for sale of goods when the goods are delivered to the customers.

- ***Dividend and interest revenue***
  - Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.
  - Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

- ***Rental income***

  Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease contract.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Dividend distribution

Dividend distribution to the shareholders is recognised as liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

4.17 Value added tax

Expenses and assets are recognized net of the amount of VAT, except :

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items, as applicable.
- 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.

4.18 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares.

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares if any.

4.19 Foreign currencies

Transactions in foreign currencies are translated to UAE Dirhams at the foreign exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to UAE Dirhams at the spot foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in UAE Dirhams at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated to UAE Dirhams at the spot exchange rate at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate the date of the transaction.

Foreign currency differences arising on translation are generally recognized in consolidated statement of income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Contingent liabilities

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognized in the consolidated financial statements.

4.21 Segment Information

For management purposes, the Group is organized into two operating segments based on their products and services. These segments are independently managed by respective segment managers who are reporting to the Group's management. The Group regularly review the segment results in order to assess the segment performance.

4.22 Fair value measurement

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 assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the assets or transfer the liability at the measurement date under current market conditions.

The fair value measurement assumes 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 Group must have access to the principal (or most advantageous) market at the

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

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

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

A fair value hierarchy is established that categorizes into three levels the inputs to valuation techniques used to measure fair value as follows :

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 : Unobservable inputs for the asset or liability.

5. PROPERTY AND EQUIPMENT

a) The details of this item are as follows :

	Land AED '000'	Hospital Buildings AED '000'	Hospital furniture and equipment AED '000'	Motor vehicles AED '000'	Other furniture and equipment AED '000'	Capital work-in-progress AED '000'	Total AED '000'
Cost /Revaluation :							
At 1 January 2021	255,018	574,535	125,634	5,543	16,124	65	976,919
Additions	--	785	6,134	222	317	448	7,906
Disposals	--	--	(384)	(838)	(67)	(65)	(1,354)
At 31 December 2021	**255,018**	**575,320**	**131,384**	**4,927**	**16,374**	**448**	**983,471**
Additions	**--**	**1,166**	**8,968**	**652**	**446**	**1,055**	**12,287**
Disposals	**--**	**--**	**(609)**	**(820)**	**(73)**	**--**	**(1,502)**
Revaluation reserve	**(2,961)**	**(685)**	**--**	**--**	**--**	**--**	**(3,646)**
Transfer to investment properties	**(1,575)**	**--**	**--**	**--**	**--**	**--**	**(1,575)**
Transfer	**--**	**1,007**	**--**	**--**	**--**	**(1,007)**	**--**
Balance at 31 December 2022	**250,482**	**576,808**	**139,743**	**4,759**	**16,747**	**496**	**989,035**
Accumulated Depreciation :							
At 1 January 2021	--	112,980	100,825	4,827	13,750	--	232,382
Charged for the year	--	15,812	7,641	312	915	--	24,680
Relating to disposals	--	--	(384)	(838)	(65)	--	(1,287)
At 31 December 2021	**--**	**128,792**	**108,082**	**4,301**	**14,600**	**--**	**255,775**
Charged for the year	**--**	**15,808**	**7,386**	**390**	**693**	**--**	**24,277**
Relating to disposals	**--**	**--**	**(606)**	**(820)**	**(73)**	**--**	**(1,499)**
Revaluation adjustments	**--**	**(479)**	**--**	**--**	**--**	**--**	**(479)**
Balance at 31 December 2022	**--**	**144,121**	**114,862**	**3,871**	**15,220**	**--**	**278,074**
Net Book Value :							
At 31 December 2022 - Exhibit A	**250,482**	**432,687**	**24,881**	**888**	**1,527**	**496**	**710,961**
At 31 December 2021 - Exhibit A	255,018	446,528	23,302	626	1,774	448	727,696

5. PROPERTY AND EQUIPMENT (CONTINUED)

b) Land of AED. 250,482 thousand mentioned above represents the fair value of a plot of land at the date of acquisition measuring 350,000 square feet registered with the concerned government department in the name of the subsidiary.

c) Capital work-in-progress of AED. 496 thousand mentioned above represent the costs incurred for the hot lab equipment project at the hospital in the Emirate of Dubai.

d) Depreciation for the year is allocated to cost of revenues and general and administrative expenses amounting to AED. 23,731 thousand (2021 : AED. 24,127 thousand) and AED. 546 thousand (2021 : AED. 553 thousand) respectively.

6. INTANGIBLE ASSETS

a) This item consists of the following :

	Software AED '000'
Cost :	
At 1 January 2021	3,457
At 31 December 2021	**3,457**
Balance at 31 December 2022	**3,457**
Accumulated Amortization :	
At 1 January 2021	1,316
Charged for the year	427
At 31 December 2021	**1,743**
Charged for the year	**427**
Balance at 31 December 2022	**2,170**
Net book value :	
At 31 December 2022 - Exhibit A	**1,287**
At 31 December 2021 - Exhibit A	1,714

b) Amortization for the year is allocated to cost of revenues and general and administrative expenses amounting to AED. 426 thousand (2021 : AED. 426 thousand) and 1 thousand (2021 : AED. 1 thousand) respectively.

7. RIGHT-OF-USE ASSETS

The movement of right-of-use assets are summarized as follows :

	2022 AED '000'	2021 AED '000'
Cost :		
At 1 January	**14,416**	--
Addition during the year	**--**	14,416
Balance at 31 December	**14,416**	14,416
Accumulated Depreciation :		
At 1 January	**1,451**	--
Charged for the year	**2,431**	1,451
Balance at 31 December	**3,882**	1,451
Net book value at 31 December – Exhibit A	**10,534**	12,965

8. INVESTMENT PROPERTIES

a) This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Land	**64,460**	64,900
Commercial properties	**10,933**	9,697
Residential properties	**9,712**	9,000
Fair value at 31 December – Exhibit A	**85,105**	83,597

b) The details of movement in investment properties during the year are as follows:

	2022	2021
	AED '000'	AED '000'
Fair value at 1 January	**83,597**	86,924
Transfer from property and equipment	**1,575**	--
Decrease in fair value	**(67)**	(3,327)
Fair Value at 31 December	**85,105**	83,597

Investment properties represent investments in land and real estates in the United Arab Emirates.

c) The details of investment properties and information about the fair value hierarchy is as follows:

31 December 2022

	Level 1	**Level 2**	**Level 3**	**Total**
	AED '000'	**AED '000'**	**AED '000'**	**AED '000'**
Land	**--**	**--**	**64,460**	**64,460**
Commercial properties	**--**	**--**	**10,933**	**10,933**
Residential properties	**--**	**--**	**9,712**	**9,712**
Total Fair Value	**--**	**--**	**85,105**	**85,105**

31 December 2021

	Level 1	Level 2	Level 3	Total
	AED '000'	AED '000'	AED '000'	AED '000'
Land	--	--	64,900	64,900
Commercial properties	--	--	9,697	9,697
Residential properties	--	--	9,000	9,000
Total Fair Value	--	--	83,597	83,597

Valuation process

The Group's investment properties were valued as at 31 December 2022 and 31 December 2021 by expert external valuers.

Valuation techniques underlying estimation of fair value

- The fair value of the land was determined based on the sales comparable approach.
- The fair value of the commercial and residential properties were determined based on the direct comparison approach.
- There has been no change to the valuation technique during the year.

9. INVESTMENT IN FINANCIAL ASSETS

Investment in financial assets comprise of the following :

a) Investments at fair value through other comprehensive income (FVTOCI)

This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Fair value at 1 January	**187,985**	134,047
Increase in fair value	**21,960**	53,938
Fair Value at 31 December - Exhibit A	**209,945**	187,985

Investments at fair value through other comprehensive income represent investment in securities quoted in the local financial market.

b) Investments at fair value through profit or loss (FVTPL)

This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Fair value at 1 January	**32,741**	129
Purchases during the year	**--**	26,027
Increase in fair value	**4,007**	6,585
Fair Value at 31 December - Exhibit A	**36,748**	32,741

Investments at fair value through profit or loss represent investment in securities quoted in local and regional financial market.

10. INVENTORIES

This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Goods for sale (drugs and cosmetics)	**9,210**	7,258
General stores and hospital supplies	**8,243**	7,225
Provision for slow-moving items	**(590)**	(590)
Net Amount - Exhibit A	**16,863**	13,893

11. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Group enters into various transactions with related parties. Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The prices and terms of these transactions are agreed with the Group's management.

11. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

- **Due from a related party**

  This item represents the amount due from Gulf Medical Commercial Agencies (LLC) – Sharjah. As per the management contract, the Group is managed and financed by the Group in return for the yearly profit/(loss) generated by the Group which has been included in the consolidated statement of income of the Group. The details of the movement in this account during the year are as follows :

	2022	2021
	AED ‘000’	AED ‘000’
Balance at 1 January	**2,090**	2,709
Net funds received/(paid) during the year	**174**	(334)
Loss for the year transferred – Note 27	**(6)**	(285)
Balance at 31 December – Exhibit A	**2,258**	2,090
	=====	=====

- The following are the details of significant related party transactions :

	2022	2021
	AED ‘000’	AED ‘000’
Purchase	**2,377**	3,438
Expenses	**579**	579

- The remuneration , salaries and other benefits of Board of Directors and other members of key management during the year are as follows :

	2022	2021
	AED '000'	AED '000'
Key management salaries and other related benefits	**7,473**	7,587
Board of directors remuneration (as approved by the Annual General Meeting)	**3,200**	3,105
Board committee expenses	**216**	174

12. ACCOUNTS RECEIVABLE AND OTHERS

a) This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Accounts receivable	**202,149**	205,713
Provision for impairment loss of accounts receivable – Note 12(b)	**(104,921)**	(95,652)
Net Amount	**97,228**	110,061
Prepayments and other receivables – Note 12(c)	**10,596**	8,215
Recoverable tax	**1,011**	1,299
Post-dated cheques received	**280**	225
Total - Exhibit A	**109,115**	119,800
	=======	======

12. ACCOUNTS RECEIVABLE AND OTHERS (CONTINUED)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customer.

A provision has been made for the estimated impairment loss of accounts receivable based on assumption about risk default and expected loss rate.

The Group uses judgment in making the estimates and assumption for calculation of impairment loss based on management past history, existing market conditions, including expectation of future events.

There has been no change in the estimation techniques or significant assumption made during the current reporting period in assessing the provision for impairment loss of accounts receivable.

The following table details the risk profile of accounts receivables based on the Group's provision matrix.

31 December 2022	**0-90 days**	**91-180 days**	**181-365 days**	**Above 365 days**	**Total**
	AED '000'	**AED '000'**	**AED '000'**	**AED '000'**	**AED '000'**
Gross carrying amount	**50,943**	**11,209**	**13,216**	**126,781**	**202,149**
Expected credit loss rate	**11.82%**	**23.12%**	**47.18%**	**71.04%**	**51.90%**
Loss allowance	**6,024**	**2,592**	**6,235**	**90,070**	**104,921**

31 December 2021	0-90 days	91-180 days	181-365 days	Above 365 days	Total
	AED '000'	AED '000'	AED '000'	AED '000'	AED '000'
Gross carrying amount	54,920	7,852	23,223	119,718	205,713
Expected credit loss rate	11.64%	18.77%	23.86%	68.70%	46.50%
Loss allowance	6,393	1,474	5,541	82,244	95,652

b) The movement in provision for impairment loss of accounts receivable during the year are as follows :

	2022	2021
	AED '000'	AED '000'
Balance at 1 January	**95,652**	95,557
Additions to provision	**27,788**	32,074
Write off during the year	**(18,519)**	(31,979)
Balance at the end of the year – Note 12(a)	**104,921**	95,652
	=======	=======

c) **Prepayments and other receivable**

This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Prepaid expenses	**4,180**	3,749
Refundable deposits	**1,215**	1,219
Interest receivable	**461**	131
Staff receivables	**33**	42
Margin held with banks	**1,161**	1,064
Advances paid	**2,988**	1,490
Others	**558**	520
Total – Note 12(a)	**10,596**	8,215
	=======	=======

13. CASH AND BANK BALANCES

a) This item consists of the following :

	2022 AED '000'	2021 AED '000'
Cash in hand	**270**	354
Bank balances - Current and call deposit accounts	**44,101**	38,630
Fixed deposits - Note 13 (b)	**67,821**	82,454
Total - Exhibit A	**112,192**	121,438

b) Fixed deposits of AED. 67,821 thousand (2021: AED. 82,454 thousand) mentioned above include fixed deposits AED. 2,105 thousand (2021: AED. 2,084 thousand) held under lien by local banks against credit facilities granted to the Group.

14. SHARE CAPITAL

	2022 AED '000'	2021 AED '000'
Authorized share capital is 698,916,094 ordinary share of AED. 1 each fully paid - Exhibit A	**698,916**	698,916

15. RESERVES

a) Statutory reserve

10% of the yearly profit shall be deducted and retained in statutory reserve account, the deduction will be stopped when the reserve reaches 50% of the Company's paid-up capital and if the statutory reserve decreases from that percentage again will be back to deduction.

b) Optional reserve

The optional reserve of AED 6,041 thousand mentioned below represents total amounts annually transferred at a rate of 10% of the profits generated in the previous years, in accordance with the Articles of Association of the Company at that time, the Company has resolved to discontinue the annual transfer to this reserve in accordance with a decision from Ordinary General Assembly Meeting. As per the article 60 of the Articles of Association the optional reserve may be used for the benefits and interest of the Group based on Board of Director's resolution.

c) The details of movements in the reserves during the year are as follows :

	Statutory reserve AED '000'	Optional reserve AED '000'	Revaluation reserve AED '000'	Total AED '000'
Balance at 1 January 2021	277,271	6,041	5,090	288,402
Additions for the year	3,558	--	--	3,558
Balance at 31 December 2021-Exhibit A	**280,829**	**6,041**	**5,090**	**291,960**
Additions for the year	**3,660**	**--**	**--**	**3,660**
Loss on revaluation of property and equipment	**--**	**--**	**(3,167)**	**(3,167)**
Balance at 31 December 2022- Exhibit A	**284,489**	**6,041**	**1,923**	**292,453**

16. **PROPOSED APPROPRIATION OF PROFITS AND BOARD OF DIRECTOR'S REMUNERATION**

- The Shareholders in their Annual General Meeting held on 10 March 2022 approved a cash dividend of AED. 69,891,609 at AED. 0.10 per share.
- In respect of the current year, the Board of Directors have proposed a cash dividend of 69,891,609 at AED. 0.10 per share to be paid to shareholders in 2023.
- It has been also proposed that the Board of Directors remuneration for the year be AED 3,200 thousand (2021: AED. 3,200 thousand).

The above mentioned proposed dividends and board of directors remuneration are subject to the approval of the shareholders at the Annual General Meeting and have not been included in the consolidated financial statements.

17. **NON-CONTROLLING INTEREST**

a) The details of the movement in this item during the year are as follows :

	2022	2021
	AED '000'	AED '000'
Balance at 1 January	**46,530**	38,104
Share of profit for the year	**6,922**	8,426
Balance at 31 December - Exhibit A	**53,452**	46,530

b) Non-controlling interest mentioned above represents the share of non-controlling as at the consolidated statement of financial position date and are as follows:

	2022	2021
	%	%
Share in Al Zahra (Pvt) Hospital Dubai (L.L.C)	**31.62**	31.62

18. **EMPLOYEES' END OF SERVICE BENEFITS**

The details of movement in this item during the year are as follows:

	2022	2021
	AED '000'	AED '000'
Balance at 1 January	**20,074**	18,800
Current service cost	**6,087**	5,164
Settlements	**(3,208)**	(3,890)
Balance at 31 December – Exhibit A	**22,953**	20,074

19. **LEASE LIABILITIES**

Lease liabilities represent the long term lease of staff accommodation and robotics surgical systems up to the year 2029. The details of movement in this item during the year are as follows:

	2022	2021
	AED '000'	AED '000'
Balance at 1 January	**10,512**	--
Additions during the year	**--**	14,416
Interest on lease liabilities	**204**	129
Payments during the year	**(860)**	(4,033)
Balance at 31 December	**9,856**	10,512
Non-Current – Exhibit A	**7,143**	8,556
Current – Exhibit A	**2,713**	1,956
Total	**9,856**	10,512

20. ACCOUNTS PAYABLE AND OTHERS

a) This item consists of the following :

	2022 AED '000'	2021 AED '000'
Accounts payable	**50,050**	48,686
Uncollected portion of repayments to shareholders	**1,091**	1,091
Shareholders' dividends payable	**191**	191
Post -dated cheques issued	**10,917**	8,461
Accrued expenses	**7,250**	6,139
Provision for staff leave salaries and air passage	**11,586**	9,988
Accrued interest payable	**--**	67
Income received in advance	**537**	392
Staff payables	**400**	418
Other payables –Note 20 (b)	**55,284**	50,482
Total - Exhibit A	**137,306**	125,915

b) Other payables include an amount of AED. 6,562 thousand (2021: AED. 6,562 thousand) pertains to shareholder's dividends payable of Kuwait nationals, which is going to be paid by cheques through agent in Kuwait.

21. BANK LOANS

a) This item consists of the following :

	2022 AED '000'	2021 AED '000'
Current installments - Exhibit A	**--**	11,750

b) The details of bank loans as at 31 December 2022 is as follows :

Bank loans of AED. Nil (2021: AED. 11,750 thousand) represents the balances of three commodity murabaha facility granted by a local bank on Sharia compliant murabaha basis for settlement of an existing syndication arrangement granted by two local banks to a Subsidiary and to fund expansion of hospital in Dubai including construction works and to fund working capital requirements to the Subsidiary and repayable in quarterly installments up to 2021. During the previous years, the bank granted the Company deferral on repayment of the loan installments and accordingly the last installment becomes due in January 2022 and therefore the loan was fully settled during the current year.

c) Bank loans and other bank credit facilities granted to the Group are secured by : First degree registered mortgage over land and building of the hospital in the Emirate of Dubai, Unconditional irrevocable assignment of all receivables from insurance companies and any other existing or future sources of income, Duly notarized hypothecation charge over medical equipment, Assignment of all insurance policies, Corporate guarantees, Assignment of all point of service proceeds, Assignment of all risk insurance policies on building/plant and equipment, Cash margin, Lien on fixed deposits and Right to set off between accounts. During the current year, the Group has settled the loans and accordingly the bank has discharged and absolved the Group from any indebtedness or liabilities, obligations guarantees or cheques.

22. SEGMENT INFORMATION

The Board of Directors are chief operating decision makers. Management determine the operation segments based on segments identified for the purpose of allocation of resources and assessing performance.

The Group's reportable segments are organized into two major segments as follows :

i)	Health services and others	Principally providing health, medical care and other related services.
ii)	Investments	Principally concerned with Investment properties and investment in securities.

Performance of each segment is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of segment.

22. SEGMENT INFORMATION (CONTINUED)

The financial analysis according to the business segments are as follows :

	Health Services & others		Investments		Total	
	2022	2021	**2022**	2021	**2022**	2021
	AED '000'	AED '000'	**AED '000'**	AED '000'	**AED '000'**	AED '000'
Revenue :						
Total revenue	**503,833**	486,834	**17,132**	10,828	**520,965**	497,662
Result :						
Segment result	**117,368**	128,074	**16,837**	10,717	**134,205**	138,791
Unallocated general and administrative expenses					**(98,008)**	(102,021)
Operating profit					**36,197**	36,770
Other income	**7,327**	7,236	--	--	**7,327**	7,236
Profit from operation					**43,524**	44,006
Attributable to non-controlling interest					**(6,922)**	(8,426)
Profit for the year					**36,602**	35,580

22. SEGMENT INFORMATION (CONTINUED)

	Health Services & others		Investments		Total	
	2022	2021	**2022**	2021	**2022**	2021
	AED '000'	AED '000'	**AED '000'**	AED '000'	**AED '000'**	AED '000'
Other information :						
Segment assets	**885,563**	905,114	**409,445**	398,805	**1,295,008**	1,303,919
Segment liabilities	**160,125**	158,543	**9,990**	9,708	**170,115**	168,251
Capital expenditure	**12,287**	7,906	**--**	--	**12,287**	7,906

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts receivable and others, due from a related party, investments at FVTPL and investments at FVTOCI. Financial liabilities consist of accounts payables and others, lease liabilities and bank loans.

Fair value of financial instruments carried at amortized cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortized cost in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited consolidated financial statements for the year ended 31 December 2021.

Th Group uses external valuers with market knowledge, reputation and independence for evaluation of investment properties.

For quoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted future cash flows.

Fair value of the Company's financial assets that are measured at fair value on recurring basis.

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following tables gives information about how the fair values of these financial assets are determined :

Financial assets	**Fair value as at**		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable input to fair value
	31 December 2022 AED'000	31 December 2021 AED'000				
Investments at fair value through other comprehensive income (FVTOCI)	**209,945**	187,985	Level 1	Quoted prices in active markets	None	NA
Investments at fair value through profit/loss (FVTPL)	**36,748**	32,741	Level 1	Quoted prices in active markets	None	NA

There is no transfer between each of level during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made on the above table.

24. RISK MANAGEMENT

Risk is inherited in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Operational risks are an inevitable consequence of being in the business.

The Group is exposed to a variety of financial risks included : capital risk, market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. It is also subject to operational risk.

The Group seeks to minimize the effects of these risks through internal reports which analyze the risk to achieve its risk management function and monitor risks and reviews policies implemented to mitigate risk exposures.

24.1 *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return of capital to shareholders, issue new shares or sell assets.

24.2 *Market risk*

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

a) ***Foreign currency risk***

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Group's activities are not exposed to the financial risks of changes in foreign currency exchange rates because substantially all the financial assets and liabilities are denominated in United Arab Emirates Dirhams (AED) or US Dollars to which the AED is pegged.

b) ***Interest rate risk***

The Group is exposed to interest rate risk resultant from its borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balance at the start of the financial year.

Details of financial assets and liabilities exposed to interest rate risk as at 31 December 2022 are as follows :

	Effective interest rate	
	2022	2021
Fixed deposits	**0.55% to 4.35% per annum**	0.55% to 1.5% per annum
Bank loans	**Three months EIBOR+1.9% p.a**	Three months EIBOR+1.9% p.a

c) ***Price risk of shares***

Price risk of shares is the risk that the value of shares fluctuates as a result of changes in market prices. The Group is exposed to market price risk with respect to its investments in quoted marketable securities. The Group limits market price risks by maintaining a diversified portfolio and by continuous actively monitoring of the key factors that effect stock and market movements including analysis of operational and financial performance of investees.

24. RISK MANAGEMENT (CONTINUED)

24.2 *Market risk (continued)*

c) ***Price risk of shares (Continued)***

Sensitivity analysis

At the reporting date if the equity prices of the quoted investments held at FVTPL and FVTOCI are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the results for the year in the Group's consolidated statement of income and consolidated statement of other comprehensive income would have increased/decreased by AED 3,675 thousand (2021: AED. 3,274 thousand) and AED. 20,995 thousand (2021: AED 18,799 thousand) respectively.

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.
- As at the reporting date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on consolidated statement of income and other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

24.3 *Credit risk*

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash flows from financial assets recorded at amortized cost such as cash and bank balances, accounts receivable and amount due from a related party.

The Group trade with recognized, creditworthy parties. The Group's policy that all customers are analyzed for creditworthiness on credit terms and are subject to monitor the receivable balances of customers on an ongoing basis, that receivable balances are the maximum exposure to credit risk relating accounts receivable.

The Group applies IFRS 9 simplified approach to measure expected credit loss (ECL) by grouped all financial assets based on shared credit risk characteristics and days past due (Note 12).

The expected loss rates are based on the payment profiles of that business transaction and the corresponding historical credit loss experienced within this period.

The historical loss rates are adjusted to reflect current and future information on macro economic factors affecting the abilities of the customers to settle their receivable balances. With respect to credit risk arising from other financial assets such as cash and bank balances including deposits arising from default of counter party to limit that credit risk.

The Group's cash is placed with banks of repute. Management is confident that it does not result in any credit risk to the Group as the banks are major banks operating in UAE.

24.4 *Liquidity risk*

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Group monitors its risk to shortage of funds using a cash flow model. This tool considers the maturity of financial assets and projected cash flows from operation and capital projects.

The Group objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

24. RISK MANAGEMENT (CONTINUED)

24.4 *Liquidity risk (Continued)*

The details of maturity dates of the Group's financial assets and financial liabilities are as follows :

As at 31 December 2022 :

	Less than three months	From 3 months to one year	1-5 years	Above 5 years	Total
	AED '000'	AED '000'	AED '000'	AED '000'	AED '000'
Financial Assets					
Cash and bank balances	**44,371**	**67,821**	**--**	**--**	**112,192**
Accounts receivable and others	**88,160**	**13,787**	**--**	**--**	**101,947**
Investments at fair value through profit or loss (FVTPL)	**36,748**	**--**	**--**	**--**	**36,748**
Due from a related party	**--**	**2,258**	**--**	**--**	**2,258**
Investment at fair value through other comprehensive income (FVTOCI)	**--**	**--**	**209,945**	**--**	**209,945**
Total	**169,279**	**83,866**	**209,945**	**--**	**463,090**
Financial Liabilities					
Lease liabilities	**1,300**	**1,413**	**3,446**	**3,697**	**9,856**
Accounts payable and others	**59,749**	**77,020**	**--**	**--**	**136,769**
Total	**61,049**	**78,433**	**3,446**	**3,697**	**146,625**

As at 31 December 2021 :

	Less than three months	From 3 months to one year	1-5 years	Above 5 years	Total
	AED '000'	AED '000'	AED '000'	AED '000'	AED '000'
Financial Assets					
Cash and bank balances	38,984	82,454	--	--	121,438
Accounts receivable and others	76,907	37,654	--	--	114,561
Investments at fair value through profit or loss (FVTPL)	32,741	--	--	--	32,741
Due from a related party	--	2,090	--	--	2,090
Investment at fair value through other comprehensive income (FVTOCI)	--	--	187,985	--	187,985
Total	148,632	122,198	187,985	--	458,815
Financial Liabilities					
Lease liabilities	210	1,746	5,804	2,752	10,512
Bank loans	11,750	--	--	--	11,750
Accounts payable and others	70,652	54,871	--	--	125,523
Total	82,612	56,617	5,804	2,752	147,785

25. REVENUES

a) This item consists of the following :

	2022 AED '000'	2021 AED '000'
Revenue from contracts with customers **- Exhibit B**	**503,833**	486,834

b) **Disaggregation of revenue from contracts with customers**

Set out below is the disaggregation of the Group's revenue from contracts with customers.

	2022 AED '000'	2021 AED '000'
Segments		
Type of services		
Revenue from healthcare services	**503,833**	486,834
Geographical markets		
Revenue within UAE	**503,833**	486,834
Timing of revenue recognition		
Services and goods transferred at a point in time	**503,833**	486,834

c) **Performance obligations**

Information about the Group's performance obligations are summarized below :

Rendering of services

Health care services revenues primarily comprise fees charged for inpatient and outpatient medical services. Services include charges for accommodation, theatre, medical professional services, equipment, laboratory and pharmaceutical items used and recorded at the time of billing.

Sale of goods

Revenue from sale of goods represent the total revenue from sale of drug and cosmetics provided to customers and is recognized when control and benefits are transferred and billed.

26. COSTS OF REVENUES

This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Salaries and other related benefits	**225,679**	198,226
Supplies and services	**134,198**	134,530
Depreciation of property and equipment	**23,731**	24,127
Depreciation of right-of-use assets	**2,431**	1,451
Amortization of intangible assets	**426**	426
Total – Exhibit B	**386,465**	358,760

27. OTHER INCOME

a) This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Dividends received	**11,750**	6,593
Interest income	**1,020**	541
Rental income - Note 27(b)	**1,475**	1,614
Gain on sale of property and equipment	**288**	29
Loss from a related party – Note 11	**(6)**	(285)
Trademark income - Note 27(c)	**--**	934
Miscellaneous income	**5,697**	5,269
Net Amount - Exhibit B	**20,224**	14,695

b) **Rental income**

This item consists of the following :

	2022	2021
	AED '000'	AED '000'
Rental Income	**1,770**	1,725
Rental costs	**(295)**	(111)
Net amount - Note 27 (a)	**1,475**	1,614

c) In accordance with the "Trademark License Agreement" related to sold subsidiary (Al Zahra PVT Hospital Company Limited – Sharjah later renamed as NMC Royal Hospital Sharjah) dated 13 March 2017 and amendment dated 4 June 2017, agreed to grant the right to use the domain name and right to use trademark "Al Zahra Hospital" against a fees of AED. 12,000 thousand for a period up to 12 March 2021. Trademark income of AED. Nil thousand (2021: AED. 934 thousand).

28. GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following :

	2022 AED '000'	2021 AED '000'
Staff salaries and other related benefits	**43,462**	39,395
Provision for impairment loss of accounts receivable	**27,788**	32,074
Electricity and water	**7,571**	7,647
Advertising and publicity	**1,807**	4,855
Government expenses	**4,898**	4,289
Telephone and postage	**836**	891
Social contributions	**1,000**	900
Legal charges and professional fees	**2,793**	3,033
Insurance	**1,552**	1,337
Bank and credit card charges	**1,763**	1,669
Depreciation of property and equipment	**546**	553
Amortization of intangible assets	**1**	1
Miscellaneous expenses	**3,766**	4,525
Total - Exhibit B	**97,783**	101,169

29. FINANCE COSTS

This item consists of the following :

	2022 AED '000'	2021 AED '000'
Interest on bank loans	**21**	723
Interest on lease liabilities	**204**	129
Total - Exhibit B	**225**	852

30. BASIC EARNINGS PER SHARE

This item consists of the following :

	2022	2021
Profit for the year attributable to equity holders of the parent company (AED ‘000)	**36,602**	35,580
Weighted average number of shares (share ‘000)	**698,916**	698,916
Basic Earnings per share (AED) – Exhibit B	**0.052**	0.051

31. CASH AND CASH EQUIVALENTS

At 31 December 2022 and 2021 “cash and cash equivalents” included in the consolidated statement of cash flows (Exhibit D) comprise the following items :

	2022 AED '000'	2021 AED '000'
Cash in hand	**270**	354
Bank balances - Current and call deposit accounts	**44,101**	38,630
Total - Exhibit D	**44,371**	38,984

32. CONTINGENT LIABILITIES/COMMITMENTS

i) Contingent liabilities

Contingent liabilities of the Group as at the consolidated statement of financial position date amounted to AED. 1,161 thousand (2021: AED. 1,187 thousand) representing Letters of Guarantees issued.

ii) Commitments

Commitments of the Group as at the consolidated statement of financial position date are as follows :

	2022	2021
	AED '000'	AED '000'
Capital purchases	**7,604**	1,984
Construction obligations	**--**	584

33. COMPARATIVE FIGURES

Certain comparatives have been reclassified/regrouped to make them comparable to those of current year.