



Amanat Holdings PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022



Board of Directors' Report

The Board of Directors of Amanat Holdings PJSC (the "Company") are pleased to submit the consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the related notes.

Principal activities

The principal activities of the Company are to invest in companies and enterprises in the sectors of education and healthcare and manage, develop, and operate such companies and enterprises.

Deployment

Over the last two years, the Group including its subsidiaries and affiliates, concluded 9 transactions, including most recently, on October 27, 2022, the acquisition of 60% of Human Development Company ("HDC") for initial consideration of AED 216 million, potentially rising to AED 262 million, dependent on performance. HDC is the leading provider of special education and care ("SEC") services in the Kingdom of Saudi Arabia ("KSA") covering educational, medical, and rehabilitation services and has a presence across 6 provinces, catering to over 3,000 beneficiaries through a network of 9 schools and 22 daycare and rehabilitation centers.

The acquisition is in line with Amanat's strategy and strengthens both its Healthcare and Education platforms by expanding their reach to cater for people of determination. The SEC sector is underserved regionally with strong underlying growth drivers, and Amanat aims to lead the development of this sector with the goal of enhancing quality and access to this vulnerable segment of the population. HDC's commitment to a high-quality service offering and its proven scalable business model make it well positioned to be a leading driver in the development of the SEC sector in the region.

On 20 December 2022, the Group announced the creation of the largest pan-GCC post-acute care platform following the merger of Sukoon International Holding Company CJSC ("Sukoon") with Cambridge Medical & Rehabilitation Center ("CMRC") via a non-cash share swap, whereby the Sukoon shareholders will receive c.15% of Amanat's shares in CMRC in return for Amanat receiving additional shares in Sukoon and resulting in an effective majority stake of c.70%.

The transaction is part of the Group's strategy to take advantage of the estimated 24k post-acute care bed gap across KSA and the UAE in the next four years and expand to c. 1,000 pan-regional beds within 3 years with c. 400 beds in the UAE and KSA across 4 cities currently and a 300 bed expansion underway, primarily in KSA and further expansion plans in the pipeline. The Company has obtained the General Authority for Competition approval for the transaction in KSA and the transaction is expected to close in Q1 2023.

As of 31 December 2022, Amanat is actively managing deployed capital of AED 2.7 billion across 9 investments, 8 of which are classified as either majority or influential stakes and had over AED 580 million of cash.

Financial Results

The Group recorded profit attributable to equity holders of the Company of AED 114.2 million for the financial year 2022, compared with AED 280.8 million in the prior year, noting that the prior year result



was positively impacted by the profitable divestitures of Taaleem and IMC, which generated a gain on disposal of AED 202.9 million with associated trading results of AED 14.5 million and related transaction costs of AED 20.0 million.

The prior year also included a non-cash impairment charge of AED 20.0 million against goodwill arising on the acquisition of Al-Malaki Specialist Hospital ("MSH", formerly the Royal Hospital for Women and Children), recorded due to the delayed ramp-up of the business, mainly attributable to COVID restrictions.

The Group recorded revenue of AED 513.1 million, an increase of AED 100.2 million or 24% when compared to the AED 412.9 million recorded in 2021, mainly driven by a full year contribution from CMRC in 2022, two months of trading result following the acquisition of HDC, and growth at Middlesex University Dubai ("MDX").

Utilizing alternative performance measures, which exclude non-recurring and transaction-related items, 2022 adjusted EBITDA was AED 191.6 million, an increase of AED 38.9 million or 25% versus the AED 152.7 million recorded in the prior year and adjusted profit attributable to equity holders of the Company was AED 117.4 million, a 14% increase when compared to the prior year.

Performance was driven by the healthcare platform which delivered growth of 40%, driven by a full year impact from CMRC, the ramp up of CMRC's Dharan facility, ongoing efficiencies at Sukoon and a reduction in underlying losses at MSH.

At the education platform income was AED 107.0 million, stable year-on-year as a 15% increase in students at Middlesex University Dubai and the two month-impact of the HDC acquisition were offset by a post COVID reduction in credit hours and one time acquisition and project related impacts at NEMA.

Holding level costs were AED 41.4 million, a year-on-year increase of 19% on an adjusted basis, mainly driven by the full year impact of key hires, resumption of travel and costs associated with communication and rebranding activities. Transaction costs reduced year-on-year, mainly driven by acquisitions and divestitures in the prior year.

Finance income in 2022 was AED 13.2 million, a 2.4x year-on-year increase, driven by a combination of higher post-divestiture cash balances and higher interest rates. This was partly offset by higher finance costs, a combination of an additional two-month impact from the CMRC acquisition financing and increasing interest rates.

Total cash and bank balances stood at AED 584 million as of 31 December 2022, with AED 100 million allocated for the proposed dividend distribution, subject to shareholder approval at the forthcoming General Assembly.

Total equity attributable to the owners of the Company on 31 December 2022 amounted to AED 2.7 billion prior to the proposed dividend.

In accordance with the Articles of Association of the Company, 10% of profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid-up share capital. Accordingly, an amount of AED 11.4 million has been transferred to the statutory reserve during the year. The statutory reserve is not available for distribution.

The Board of Directors of the Company has approved in the meeting held on 14 February 2023 the audited consolidated financial statements of the Group for the year ended 31 December 2022 and recommends them for approval at the forthcoming General Assembly.

Dividends

The Board of Directors is recommending for approval at the forthcoming General Assembly an AED 100 million cash dividend payout (AED 4 fils per share, or 88% of profit attributable to equity holders).

Outlook

Amanat's portfolio comprises market leading platforms across healthcare and education, each of which have clear growth strategies and pathways to monetisation.

At the healthcare platform we are on track to reach 700 beds, a 65% increase in capacity, whilst at the education platform we continue to grow through a combination of bolt-on-acquisitions and organic growth.

At the newly acquired HDC, expansions are in progress that will add additional centers in KSA whilst concurrently exploring regional expansion opportunities.

As we look forward, we will continue to pursue further acquisitions and opportunities and integrate, scale and synergise our platforms as we build value and deliver return to our shareholders.

Directors

Mr. Hamad Abdulla Alshamsi	Chairman
Dr. Ali Saeed Bin Harmal Aldhaheeri	Vice Chairman
H.E. Hamad Rashed Nehail Al Nuaimi	Board Director
Mrs. Sara Khalil Nooruddin	Board Director
Mrs. Elham Al Qasim	Board Director
H.E. Dhafer Al Ahbabi	Board Director
Mr. Khalaf Sultan Al Dhaheri	Board Director (appointed on 9 th June 2022)
Dr. Shamsheer Vayalil	Vice Chairman (resigned on 11 th May 2022)

Auditors

Ernst & Young were appointed as external auditors for the Company for the year ended 31 December 2022.

On behalf of the Board



Hamad Abdulla Alshamsi - Chairman

Dubai, United Arab Emirates
14 February 2023

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMANAT HOLDINGS PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Amanat Holdings PJSC (the “Company”) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 for the year ended 31 December 2022. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMANAT HOLDINGS PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><i>Impairment of goodwill and other intangible assets with indefinite life</i></p> <p>As stated in note 10 to the consolidated financial statements, the Group's consolidated statement of financial position includes AED 1,274,387 thousand of goodwill and other intangible assets with indefinite life, representing 35% of total Group assets. In accordance with IFRS, these balances are allocated to Cash Generating Units (CGUs) which are tested annually for impairment, or whenever changes in circumstances or events indicate that the carrying amount of such intangible assets may not be recoverable.</p> <p>This is a key audit matter as determining whether the carrying values of goodwill and the other intangible assets with an indefinite life are recoverable requires management to make significant estimates concerning the expected future cash flows and associated discount rates and growth rates based on management's view of future business prospects.</p>	<p>We performed the following:</p> <ul style="list-style-type: none"> • Checked the mathematical accuracy of the impairment models used for impairment testing, and the extraction of inputs from source documents; • Reviewed the reasonableness of the key assumptions used in the impairment model, including specifically the operating cash flow projections, discount rates, and terminal growth rates; • Engaged our internal specialists to assist us in reviewing the methodologies applied including estimates and judgments made by management; • Considered the sensitivity of the impairment testing model to changes in key assumptions; • For intangible assets with an indefinite life, other than goodwill, we reviewed up to the date of issuance of these consolidated financial statements that no significant changes have occurred to the basis of recognition of such assets, and • Assessed the adequacy of the related disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMANAT HOLDINGS PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

Other information consists of the information included in the Directors' report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information and Alternative Performance Measures disclosed in the consolidated financial statements.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Decree Law No. (32) of 2021, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMANAT HOLDINGS PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AMANAT HOLDINGS PJSC (continued)**

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that:

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, and the Articles of Association of the Company;
- iii) The Company has maintained proper books of account;
- iv) The financial information included in the Directors' report is consistent with the books of account of the Company;
- v) The Group's investment in shares and stocks during the year ended 31 December 2022 is disclosed in Notes 10, 11 and 12;
- vi) Notes 11 and 14 reflect material related party transactions and the terms under which they were conducted;
- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- viii) No social contributions were made by the Company during the year.

For Ernst & Young



Signed by:
Wardah Ebrahim
Partner
Registration No: 1258

14 February 2023

Dubai, United Arab Emirates

Amanat Holdings PJSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Revenue	4	513,101	412,872
Direct costs	4	(283,059)	(228,313)
GROSS PROFIT		230,042	184,559
General, selling and administrative expenses	5	(173,899)	(170,960)
Share of results of associates	11	25,076	52,533
Gain on disposal of associates	11	-	202,881
Income from finance lease	9	33,693	33,448
Impairment of goodwill	10	-	(19,961)
Other operating income	6	14,086	3,408
OPERATING PROFIT		128,998	285,908
Finance income	7	13,152	5,429
Finance costs	7	(29,993)	(18,197)
PROFIT FOR THE YEAR BEFORE ZAKAT		112,157	273,140
Zakat		(435)	-
PROFIT FOR THE YEAR		111,722	273,140
Attributable to:			
Equity holders of the Company		114,213	280,831
Non-controlling interests		(2,491)	(7,691)
		111,722	273,140
Basic and diluted earnings per share (AED)	22	0.0458	0.1124

Alternative Performance Measures

	Note	2022 AED'000	2021 AED'000
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA)	30	191,560	152,708
Attributable to the equity holders of the Company			
Adjusted operating profit	30	131,580	113,972
Adjusted profit	30	117,402	103,375



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Amanat Holdings PJSC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
PROFIT FOR THE YEAR		111,722	273,140
Other comprehensive income / loss			
<i>Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Gain / (loss) on cash flow hedge	25	3,236	(1,646)
Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods		3,236	(1,646)
<i>Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value of financial assets at FVOCI	12	(2,307)	860
Remeasurement loss on employee's benefits obligation		(129)	-
Share of other comprehensive income of associates	11	343	(17)
Net other comprehensive (loss) / income that will not be reclassified to profit or loss in subsequent years		(2,093)	843
Total other comprehensive income / (loss)		1,143	(803)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		112,865	272,337
Attributable to:			
Equity holders of the Company		115,408	280,028
Non-controlling interests	27	(2,543)	(7,691)
		112,865	272,337



Handwritten signatures and initials in blue ink.


Amanat Holdings PJSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property and equipment	8	271,872	250,806
Right-of-use assets	9	175,886	117,828
Goodwill and intangible assets	10	1,420,215	1,210,555
Investments in associates	11	515,726	506,057
Finance lease receivables	9	362,954	382,832
Financial assets at FVOCI	12	31,521	33,828
Other financial assets	25.1	5,158	-
Total non-current assets		2,783,332	2,501,906
Current assets			
Inventories		7,003	6,774
Finance lease receivables	9	51,933	37,986
Trade and other receivables	13	201,999	111,239
Due from related parties	14	2,727	8,079
Cash and bank balances	15	583,939	878,036
Total current assets		847,601	1,042,114
TOTAL ASSETS		3,630,933	3,544,020
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	2,500,000	2,500,000
Share premium	16	2,073	2,877
Treasury shares	16	(33,605)	(12,711)
Statutory reserve	17	69,656	58,235
Fair value reserve of financial assets at FVOCI		(23,837)	(21,530)
Cash flow hedge reserve	25	-	(1,646)
Other reserves	11	(18,081)	(18,347)
Retained earnings		216,020	263,228
Total equity attributable to the equity holders of the Company		2,712,226	2,770,106
Non-controlling interests	27	34,098	(1,346)
Total equity		2,746,324	2,768,760
LIABILITIES			
Non-current liabilities			
Financing from banks	18	356,358	391,517
Lease liabilities	9	163,375	107,453
Other long-term payables	19	33,318	3,630
Other financial liability	25	-	1,646
Due to a related party	14	5,780	4,013
Provision for employees' end of service benefits	20	32,900	22,814
Total non-current liabilities		591,731	531,073
Current liabilities			
Bank overdraft	15	11,914	21,072
Financing from banks	18	69,282	51,911
Lease liabilities	9	26,968	16,788
Provisions, accounts and other payables	21	138,084	119,356
Contract liabilities	4	46,630	33,843
Due to related parties	14	-	1,217
Total current liabilities		292,878	244,187
Total liabilities		884,609	775,260
TOTAL EQUITY AND LIABILITIES		3,630,933	3,544,020

These consolidated financial statements were approved by the Board of Directors on _____ 2023 and signed by:


Mr. Hamad Abdulla Alshamsi
Chairman


Mr. John Ireland
Chief Financial Officer

The attached notes 1 to 31 form part of these consolidated financial statements.




Amanat Holdings PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Attributable to the equity holders of the Company

	Share capital AED'000	Share premium AED'000	Treasury shares AED'000	Statutory reserve AED'000	Fair value reserve of financial assets at FVOCI AED'000	Cash flow hedge reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total AED'000
As at 1 January 2021	2,500,000	523	(6,702)	30,152	(22,390)	-	-	10,497	2,512,080	6,345	2,518,425
Profit/(loss) for the year	-	-	-	-	-	-	-	280,831	280,831	(7,691)	273,140
Other comprehensive income/(loss)	-	-	-	-	860	(1,646)	-	(17)	(803)	-	(803)
Total comprehensive income/(loss)	-	-	-	-	860	(1,646)	-	280,814	280,028	(7,691)	272,337
Treasury shares (Note 16)	-	2,354	(6,009)	-	-	-	-	-	(3,655)	-	(3,655)
Transfer to statutory reserve (Note 17)	-	-	-	28,083	-	-	-	(28,083)	-	-	-
Associate's acquisition of non-controlling interests (Note 11)	-	-	-	-	-	-	(18,347)	-	(18,347)	-	(18,347)
As at 31 December 2021	2,500,000	2,877	(12,711)	58,235	(21,530)	(1,646)	(18,347)	263,228	2,770,106	(1,346)	2,768,760
Profit/(loss) for the year	-	-	-	-	-	-	-	114,213	114,213	(2,491)	111,722
Other comprehensive income/(loss)	-	-	-	-	(2,307)	3,236	266	-	1,195	(52)	1,143
Total comprehensive income/(loss)	-	-	-	-	(2,307)	3,236	266	114,213	115,408	(2,543)	112,865
Gain on ineffective hedge recycled to profit or loss	-	-	-	-	-	(1,590)	-	-	(1,590)	-	(1,590)
Treasury shares (Note 16)	-	(804)	(20,894)	-	-	-	-	-	(21,698)	-	(21,698)
Dividends (Note 23)	-	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Transfer to statutory reserve (Note 17)	-	-	-	11,421	-	-	-	(11,421)	-	-	-
Acquisition of a subsidiary (Note 10)	-	-	-	-	-	-	-	-	-	27,790	27,790
Contribution by non-controlling interests*	-	-	-	-	-	-	-	-	-	10,197	10,197
As at 31 December 2022	2,500,000	2,073	(33,605)	69,656	(23,837)	-	(18,081)	216,020	2,712,226	34,098	2,746,324

*During the year, subsidiaries of the Group with direct ownership in Al Malaki Specialist Hospital W.L.L, resolved to increase their share capital. As per the terms of the capital increase, non-controlling interests contributed AED 10,197 thousand of capital whilst maintaining their overall percentage ownership in the subsidiary.

The attached notes 1 to 31 form part of these consolidated financial statements.

Amanat Holdings PJSC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
OPERATING ACTIVITIES			
Profit before zakat		112,157	273,140
Adjustments:			
Share of results of associates	11	(25,076)	(52,533)
Gain on disposal of associates	11	-	(202,881)
Dividend income from financial assets at FVOCI	6	(1,258)	(1,179)
Depreciation of property and equipment	8	28,293	22,127
Depreciation of right-of-use assets	9	19,537	11,265
Amortization of intangible assets	10	8,543	7,864
Loss on disposal of property and equipment		368	42
Gain on derivative instrument	6	(3,568)	-
Gain on modification and termination of right-of-use assets		(2,940)	-
Allowance for expected credit losses, net of reversal	13	2,541	6,939
Provision for employees' end of service benefits	20	10,013	6,594
Reversal of credit loss on lease receivables	9	(2,660)	-
Hedge ineffectiveness and others	7	(1,719)	-
Impairment of goodwill	10	-	19,961
Income from finance lease	9	(33,693)	(33,448)
Finance income	7	(11,433)	(5,429)
Finance costs	7	29,993	18,197
		129,098	70,659
Working capital changes:			
Inventories		322	(166)
Trade and other receivables		(16,102)	(18,588)
Due from related parties		(498)	11,574
Provisions, accounts and other payables and contract liabilities		(7,005)	31,137
Due to related parties		551	416
Cash from operations		106,366	95,032
Employees' end of service benefits paid	20	(4,672)	(3,416)
Net cash flows from operating activities		101,694	91,616
INVESTING ACTIVITIES			
Acquisition of property and equipment	8	(19,409)	(71,326)
Acquisition of a subsidiary, net of cash acquired	10	(204,278)	(854,887)
Settlement of deferred consideration		(3,983)	(2,450)
Proceeds from disposal of associates	11	-	782,686
Investment in finance lease	9	-	(302)
Lease payments received	9	42,284	15,594
Changes in Sharia compliant term deposits		447,692	(520,410)
Changes in bank term deposits		79,107	(119,107)
Interest received on Sharia compliant term deposits		10,207	2,473
Interest received on bank term deposits		159	2,503
Proceeds from associate capital reduction	14	7,466	-
Dividend received from associates	11	15,750	22,370
Dividend received from financial assets at FVOCI		1,258	1,179
Net cash flows from / (used in) investing activities		376,253	(741,677)
FINANCING ACTIVITIES			
Proceeds from bank financing		4,870	410,943
Repayment of bank financing		(45,984)	(30,375)
Movements in revolving bank facilities, net		8,160	-
Acquisition of treasury shares, net		(21,698)	(3,655)
Change in cash balances held with a third party and others		11,893	447
Payment of lease liabilities	9	(24,055)	(14,943)
Capital contribution by non-controlling interests	27	10,197	-
Dividend paid	23	(150,000)	-
Finance costs paid		(17,575)	(10,912)
Net cash flows (used in) / from financing activities		(224,192)	351,505
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		253,755	(298,556)
Cash and cash equivalents at 1 January		92,560	391,116
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	346,315	92,560
Non-cash transaction			
Lease remeasurement	9	26,578	-

The attached notes 1 to 31 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Amanat Holdings PJSC ("the Company") was incorporated on 17 November 2014 and is registered as a Public Joint Stock Company listed on the Dubai Financial Market under the UAE Federal Decree-Law No. 32 of 2021. The registered office of the Company is One Central The Offices 5, Level 1 Unit 107 and 108, Dubai, United Arab Emirates.

Federal Decree Law No 47 of 2022 was issued on 9 December 2022 relating to taxation of Corporations and Businesses in the United Arab Emirates and is effective for tax periods commencing on or after 1 June 2023. Management is in the process of reviewing the Decree Law and will ensure compliance with the requirements of the law from the effective period applicable to the Company. Refer to Note 28.

The principal activities of the Company are to invest in companies and enterprises in the fields of education and healthcare as well as managing, developing and operating such companies and enterprises. The Company may participate or have an interest in any manner in other companies, entities or institutions outside the United Arab Emirates.

These consolidated financial statements include the financial performance and position of the Company and its operating subsidiaries as listed below (collectively the "Group").

<i>Name</i>	<i>Equity interest</i>		<i>Country of incorporation</i>	<i>Principal activities</i>
	<i>2022</i>	<i>2021</i>		
WMCE Company W.L.L. ("WMCE")*	49.69%	49.69%	Kingdom of Bahrain	Investment in companies in the field of healthcare.
Maternity Holding Company Ltd. ("MHC")*	74.13%	74.13%	Cayman Islands	Investment in companies in the field of healthcare.
Al Malaki Specialist Hospital W.L.L. ("MSH")*	69.24%	69.24%	Kingdom of Bahrain	Hospital and healthcare facilities in Kingdom of Bahrain
Middlesex Associates FZ-LLC ("Middlesex University")	100%	100%	United Arab Emirates	Leading university providing tertiary education in the United Arab Emirates
CMRC Limited ("CMRC")	100%	100%	Cyprus	Holding company
Cambridge Medical & Rehabilitation Centre LLC** ("CMRC UAE")	100%	100%	United Arab Emirates	Healthcare services
CMRC Saudi Arabia LLC** ("CMRC KSA")	100%	100%	Kingdom of Saudi Arabia	Healthcare services
TVM KSA Acquisition 1 Limited**	100%	100%	Cyprus	Holding company
Human Development Company LLC ("HDC")	60%	-	Kingdom of Saudi Arabia	Special education and care needs
Human Rehabilitation Company LLC***	60%	-	Kingdom of Saudi Arabia	Special education and care needs and rehabilitation services



1 CORPORATE INFORMATION (continued)

* Investment in MSH is held via MHC and WMCE. During the year, Royal Hospital for Women and Children W.L.L. changed its legal name to Al Malaki Specialist Hospital W.L.L.

** Investments are held via CMRC Limited.

*** Investment held via Human Development Company LLC.

The Group holds numerous other subsidiaries that are non-operational, mainly investment vehicles.

The Group has interests in the following associates as disclosed further in Note 11:

<i>Name</i>	<i>Equity interest</i>		<i>Country of incorporation</i>	<i>Principal Activities</i>
	<i>2022</i>	<i>2021</i>		
Sukoon International Holding Company	33.25%	33.25%	Kingdom of Saudi Arabia	Long-term and critical healthcare
NEMA Holding Company LLC*	35%	35%	United Arab Emirates	Leading tertiary education provider
Taaleem Holdings PSC (Previously Madaares PSC)**	-	-	United Arab Emirates	Leading education provider
International Medical Center**	-	-	Kingdom of Saudi Arabia	Hospital and healthcare facilities

* During the year Abu Dhabi University Holding LLC changed its legal name to NEMA Holding Company LLC.

** Taaleem and IMC were disposed of during the second and third quarters of 2021, respectively. Refer to Note 11.

2 SIGNIFICANT ACCOUNTING POLICIES**2.1 BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at FVOCI, other financial liability, contingent consideration and other financial assets that have been measured at fair value. The consolidated financial statements are presented in Arab Emirates Dirhams (AED) and all values are rounded to the nearest thousand (AED'000), except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are generally prepared for the same reporting period as the Group, when necessary, adjustments are made to bring the accounting period and policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of results of associates' in the consolidated statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of profit or loss.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

d) Fair value measurement

The Group measures financial instruments such as financial assets at FVOCI, derivative financial instruments and contingent consideration at fair value at each reporting date.

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

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

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

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

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

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



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Fair value measurement (continued)

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

e) Revenue

The Group provides healthcare and education services. Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Tuition fees

Revenue from tuition fees is recognised over the period of each academic term and is reduced by scholarships awarded to students during that period.

Healthcare services

Revenue from healthcare services related to in-patient care and rehabilitation is recognised over time on a straight-line basis, reflective of the fact that the customer simultaneously receives and consumes the benefits from such services provided to them. All other healthcare services are recognised at the point in time when the services are rendered.

Joint services agreements (Schools)

Share of revenue from joint services agreements, net of associated costs, is recognized over the period of each academic term.

Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from services because the receipt of consideration is conditional on successful completion of the service. Upon completion of the service and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment. Refer to the accounting policies on impairment of financial assets in section (I) Financial instruments – initial recognition and subsequent measurement.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (I) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Government grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all related conditions. Grants are recognised in the consolidated statement of profit or loss over the period necessary to match them with the expense that they are intended to compensate.

g) Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

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

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated financial statements.

h) Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****h) Foreign currencies (continued)*****Group companies***

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their consolidated statement of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

i) Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of United Arab Emirates, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

j) Property and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred.

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

➤ Leasehold improvements	Shorter of asset life and lease term
➤ Buildings	10 to 20 years
➤ Medical equipment	5 to 15 years
➤ Academic equipment	3 years
➤ Furniture and Fixtures	7 years
➤ Other assets	3 to 7 years

No depreciation is charged on land and capital work in progress.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****k) Leases**

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

Group as a lessee

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

Right-of-use assets

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

➤ Buildings and offices	3 to 10 years
➤ Leasehold land	45 years
➤ Vehicles	3 years

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (m) Impairment of non-financial assets.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Leases (continued)

Group as a lessor

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as a finance lease.

At the commencement of a finance lease term, the Group records a finance lease receivable in the consolidated statement of financial position at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting the constant periodic rate of return on the lessor's net investment in the finance lease.

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease term and is included in other income in the consolidated statement of profit or loss due to its non-operating nature.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m) Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (e) Revenue.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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



2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****m) Financial instruments – initial recognition and subsequent measurement (continued)****i) Financial assets (continued)*****Subsequent measurement******Financial assets at amortised cost (debt instruments)***

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

The Group's financial assets at amortised cost includes trade receivables and due from related parties.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to irrevocably classify its listed and unquoted equity investments under this category.

Financial assets designated at fair value through profit or loss (equity instruments)

The Group, upon vesting of allotted equity warrants, recognizes a derivative asset at fair value through profit or loss in the consolidated statement of financial position with the corresponding impact in the consolidated statement of profit or loss including any subsequent changes in fair value. Upon exercise, the derivative asset is subsequently reclassified to equity instruments at FVOCI.

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises 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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment (continued)

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises 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.

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include provisions, accounts and other payables, lease liabilities, due to related parties, loans and borrowings and other long-term liabilities.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has designated a contingent consideration for the acquisition of a subsidiary as a financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****m) Financial instruments – initial recognition and subsequent measurement (continued)****ii) Financial liabilities (continued)*****Derecognition***

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

iii) Offsetting of financial instruments

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

n) 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 CGU's 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 groups of 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs 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, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

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

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average basis. Net realisable value is the estimated selling price for inventories less estimated costs of completion and cost necessary to make the sale. Write-down of inventories to net realisable value is recognised in the consolidated statement of profit or loss and other comprehensive income.

p) Cash and term deposits

Cash and term deposits in the consolidated statement of financial position comprise cash at banks and on hand and term deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, with a maturity of three months or less, net of outstanding bank overdrafts.

q) Financing from Banks

Financing from Banks are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the inception of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down and the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment and amortised over the period of the facility to which it relates.

r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

s) Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

t) Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****t) Intangible assets (continued)**

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The Group's intangible assets with finite lives acquired through business combinations relate to an agreement amortised over its useful economic life of 30 years and a brand name amortised over its useful economic life of 10 years (Refer to Note 10 for further details).

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

u) Derivative financial instruments and hedge accounting***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses interest rate swap contracts as hedges of its exposure to interest rate risk in relation to its variable interest-bearing financing from banks. The ineffective portion, if any, relating to interest rate swap contracts is recognised as expense.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****u) Derivative financial instruments and hedge accounting (continued)*****Cash flow hedges (continued)***

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to consolidated statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect consolidated statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to consolidated statement of profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in consolidated statement of profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as its subsidiaries and associates are not first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

Standards issued but not yet effective

There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements and are not expected to have any significant impact on the Group's consolidated financial statements when they become effective, and accordingly, have not been listed in these consolidated financial statements.



3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Property lease classification – Group as lessor

The Group has entered into a finance lease of a school building complex. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments amounting to substantially all of the fair value of the commercial property, that it does not retain substantially all the risks and rewards incidental to ownership of these properties and accounts for the contract as finance lease.

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

The Group included the renewal periods as part of the lease term for leases of campus building and offices with shorter remaining non-cancellable period (i.e., one year). The Group typically exercises its option to renew these leases because there will be a significant negative effect on the business if a replacement asset is not readily available and with significant costs to be incurred. The renewal periods for leases of land, buildings with longer remaining non-cancellable periods (i.e., 7 to 40 years from the reporting date) are not included part of the lease terms as they are not reasonably certain to be exercised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described on the next page. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets (including goodwill and intangible asset with indefinite useful life)

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the most recent projections for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and intangible asset with indefinite useful life recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 10.



3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimates and assumptions (continued)*****Fair value measurement of other long term liabilities***

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer to Note 10 for details).

Leases - Estimating the incremental borrowing rate

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

Allowance for expected credit losses of fee receivables

The Group uses a provision matrix to calculate ECLs for fee receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 25.5.

4 REVENUE & DIRECT COSTS**4.1 Disaggregated revenue and cost information**

Education revenue is related to services rendered in the United Arab Emirates and the Kingdom of Saudi Arabia and Healthcare revenue is related to services rendered in the United Arab Emirates, Kingdom of Bahrain and the Kingdom of Saudi Arabia.

Segments	<i>For the year ended 31 December 2022</i>		
	<i>Education</i> <i>AED'000</i>	<i>Healthcare</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Type of goods or service			
Tuition fees, net of scholarship awarded	144,076	-	144,076
Special education and care needs services	24,741	-	24,741
Administrative and other service fees from students	5,950	-	5,950
Share of revenue from joint services agreements	4,253	-	4,253
Healthcare and medical services	-	334,081	334,081
Total revenue	179,020	334,081	513,101



4 REVENUE & DIRECT COSTS (continued)**4.1 Disaggregated revenue and cost information (continued)**

	<i>For the year ended 31 December 2022</i>		
Segments	<i>Education AED'000</i>	<i>Healthcare AED'000</i>	<i>Total AED'000</i>
Timing of revenue recognition			
Services transferred over time	175,807	273,545	449,352
Services transferred at a point in time	3,213	60,536	63,749
Total revenue	179,020	334,081	513,101
Direct costs	(86,329)	(196,730)	(283,059)

	<i>For the year ended 31 December 2021</i>		
Segments	<i>Education AED'000</i>	<i>Healthcare AED'000</i>	<i>Total AED'000</i>
Type of goods or service			
Tuition fees, net of scholarship awarded	135,126	-	135,126
Administrative and other service fees from students	1,865	-	1,865
Healthcare and medical services	-	275,881	275,881
Total revenue	136,991	275,881	412,872
Timing of revenue recognition			
Services transferred over time	136,514	226,643	363,157
Services transferred at a point in time	477	49,238	49,715
Total revenue	136,991	275,881	412,872
Direct costs	(64,568)	(163,745)	(228,313)

4.2 Contract balances

	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Trade receivables, net (Note 13)	151,809	85,898
Contract liabilities (see below)	46,630	33,843

Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 0 to 180 days from the date of service. In 2022, AED 4,854 thousand was recognised as allowance for expected credit losses on trade receivables (2021: AED 6,939 thousand).

Contract liabilities

Contract liabilities comprise fees collected in advance from students, deferred revenue in relation to educational services and advances received from patients that are short-term in nature.



4 REVENUE & DIRECT COSTS (continued)**4.3 Performance obligations**

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

Education services

The performance obligation is satisfied over time on a straight-line basis over the academic period of the course that students are enrolled in and payment is generally due between 30 and 180 days of the invoice or based on an agreed payment plan.

Healthcare services

The performance obligation for in-patient services of CMRC is satisfied over time on a straight-line because the customer simultaneously receives and consumes the benefits provided to them and payment is generally due between 0 and 90 days from invoice date.

The performance obligation of other healthcare services is satisfied at a point in time when the service is rendered and payment is generally due between 0 and 90 days from invoice date.

4.4 Direct costs

	2022 AED'000	2021 AED'000
Salaries and employee related costs	158,539	126,092
Medical consumables, equipment and other related costs	43,327	39,888
Royalty and profit-sharing arrangements for academic services	18,431	18,100
Depreciation of property and equipment (Note 8)	17,910	12,619
Depreciation of right-of-use assets (Note 9)	16,853	10,260
Student related expenses	7,686	2,118
Leases (Note 9)	685	7,185
Other direct costs	19,628	12,051
	283,059	228,313

5 GENERAL, SELLING AND ADMINISTRATIVE EXPENSES

General, selling and administrative expenses mainly include the following:

	2022 AED'000	2021 AED'000
Employee related expenses	87,660	91,331
Marketing and communications	10,517	10,185
Depreciation of property and equipment (Note 8)	10,383	9,508
Legal and professional fees	9,177	6,133
Amortization of intangible assets (Note 10)	8,543	7,864
Transaction related costs	5,260	2,957
IT expenses	5,168	4,398
Expected credit losses on trade receivables (Note 13)	4,854	6,939
Board remuneration (Note 14)	2,917	6,301
Depreciation of right-of-use assets (Note 9)	2,684	1,005
Leases (Note 9)	1,937	1,711
Portfolio management expenses	1,176	2,948
Other expenses	23,623	19,680
	173,899	170,960



5 GENERAL, SELLING AND ADMINISTRATIVE EXPENSES (continued)

General, selling and administrative expenses are incurred as follows:

	2022 AED'000	2021 AED'000
<i>Holding Company expenses</i>		
Head office expenses	41,425	51,613
Amortization of intangible assets (Note 10)	8,543	7,864
Transaction related costs	5,260	2,957
Portfolio management expenses	1,176	2,948
Subsidiary expenses	117,495	105,578
	<u>173,899</u>	<u>170,960</u>

6 OTHER OPERATING INCOME

	2022 AED'000	2021 AED'000
Dividend income from financial asset at FVOCI	1,258	1,179
Grant income*	1,718	-
Gain on termination of right-of-use assets (Note 9)	1,271	-
Gain on derivative instrument**	3,568	-
Other income	6,271	2,229
	<u>14,086</u>	<u>3,408</u>

* Contribution provided to the Group's subsidiary, Human Development Company LLC, from the Ministry of Human Resources and Social Development of the Kingdom of Saudi Arabia.

** During the year the Group recognized 289,320 vested warrants in relation to the minority investment held in BEGiN, which have not been exercised as at 31 December 2022. The Group has recorded the warrants as derivative instruments at fair value and will classify them as equity instruments at FVOCI once exercised.

7 FINANCE INCOME AND FINANCE COSTS**7.1 Finance income**

	2022 AED'000	2021 AED'000
Income on term deposits*	11,433	5,429
Gain on hedge ineffectiveness	1,590	-
Others	129	-
	<u>13,152</u>	<u>5,429</u>

* Includes income on Sharia compliant deposits of AED 8,601 thousand and income on non-Sharia compliant deposits of AED 2,832 thousand (2021: AED 3,910 thousand and AED 1,519 thousand, respectively).

7.2 Finance costs

	2022 AED'000	2021 AED'000
Finance costs on financing from banks	21,389	12,039
Finance costs on bank overdraft	555	817
Amortization of loan arrangement fees (Note 18)	545	485
Finance costs on lease liabilities (Note 9)	7,504	4,856
	<u>29,993</u>	<u>18,197</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

8 PROPERTY AND EQUIPMENT

	<i>Land and buildings (1) AED'000</i>	<i>Leasehold improvements AED'000</i>	<i>Medical equipment AED'000</i>	<i>Academic equipment AED'000</i>	<i>Furniture & fixtures AED'000</i>	<i>Other assets AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Total AED'000</i>
Cost:								
At 1 January 2021	121,601	4,973	9,161	7,737	3,259	9,975	-	156,706
Additions	53,116	8,586	3,949	879	1,682	2,415	699	71,326
Acquisition of a subsidiary (Note 10)	-	72,995	33,149	-	7,264	12,244	213	125,865
Disposals	-	-	(1,692)	-	(458)	(507)	-	(2,657)
Transfers	-	112	207	-	51	7	(377)	-
At 31 December 2021	174,717	86,666	44,774	8,616	11,798	24,134	535	351,240
Additions	458	4,761	4,860	680	1,846	1,373	5,431	19,409
Acquisition of a subsidiary (Note 10)	-	14,578	5,308	-	9,464	12,836	12,673	54,859
Disposals	(409)	-	(75)	-	(117)	(11)	-	(612)
Write-offs	-	(1,584)	-	(5)	(333)	-	-	(1,922)
Transfers	-	139	100	-	81	33	(353)	-
At 31 December 2022	174,766	104,560	54,967	9,291	22,739	38,365	18,286	422,974
Accumulated depreciation:								
At 1 January 2021	10,631	3,033	1,499	5,189	1,740	6,312	-	28,404
Acquisition of a subsidiary (Note 10)	-	22,947	18,482	-	4,929	6,160	-	52,518
Charge for the year (2)	6,731	5,408	5,508	879	1,122	2,479	-	22,127
Disposals	-	-	(1,676)	-	(435)	(504)	-	(2,615)
At 31 December 2021	17,362	31,388	23,813	6,068	7,356	14,447	-	100,434
Acquisition of a subsidiary (Note 10)	-	7,253	1,739	-	6,295	9,254	-	24,541
Charge for the year (2)	8,384	7,066	6,873	854	1,728	3,388	-	28,293
Write-offs	-	(1,437)	-	(5)	(227)	-	-	(1,669)
Disposals	(307)	-	(71)	-	(109)	(10)	-	(497)
At 31 December 2022	25,439	44,270	32,354	6,917	15,043	27,079	-	151,102
Net carrying amounts:								
At 31 December 2022	149,327	60,290	22,613	2,374	7,696	11,286	18,286	271,872
At 31 December 2021	157,355	55,278	20,961	2,548	4,442	9,687	535	250,806



8 PROPERTY AND EQUIPMENT (continued)

(1) Land and buildings comprise the following:

- A building constructed on long-term leasehold land in Bahrain with a carrying amount of AED 99,269 thousand (2021: AED 105,003 thousand).
- In 2021, the Group entered into a sale and purchase agreement to acquire the previously leased Abu Dhabi hospital land and buildings of Cambridge Medical and Rehabilitation Center LLC, a subsidiary of the Group, for a total consideration of AED 53 million. The acquisition value has been allocated to land and buildings in the amount of AED 7.1 million and AED 45.9 million, respectively, in accordance with a valuation performed by a third party certified independent valuer.

(2) Depreciation charge for the year has been allocated to consolidated statement of profit or loss as follows:

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Direct costs (Note 4.4)	17,910	12,619
General, selling and administrative expenses (Note 5)	10,383	9,508
	28,293	22,127

9 LEASES**9.1 Group as lessee**

The Group has lease contracts for land, buildings, offices and vehicles. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of residential units and offices with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

	<i>Leasehold Land AED'000</i>	<i>Buildings and offices AED'000</i>	<i>Vehicles AED'000</i>	<i>Total AED'000</i>
As at 1 January 2021	17,507	4,199	-	21,706
Acquisition of a subsidiary (Note 10)	-	65,478	317	65,795
Additions	-	59,567	100	59,667
Derecognition	-	(18,075)	-	(18,075)
Depreciation	(429)	(10,647)	(189)	(11,265)
As at 31 December 2021	17,078	100,522	228	117,828
Acquisition of a subsidiary (Note 10)	-	38,157	-	38,157
Additions	-	48,749	351	49,100
Termination (1)	-	(34,676)	(26)	(34,702)
Modification (2)	-	25,040	-	25,040
Depreciation	(430)	(18,889)	(218)	(19,537)
As at 31 December 2022	16,648	158,903	335	175,886



9 LEASES (continued)**9.1 Group as lessee (continued)**

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

	2022 AED'000	2021 AED'000
As at 1 January	124,241	22,631
Acquisition of a subsidiary (Note 10)	39,316	71,250
Additions	54,668	59,667
Derecognition	-	(19,220)
Accretion of interest (Note 7.2)	7,504	4,856
Termination	(36,280)	-
Modification	24,949	-
Payments	(24,055)	(14,943)
As at 31 December	190,343	124,241
Current	26,968	16,788
Non-current	163,375	107,453

- (1) During the year ended 31 December 2022, a subsidiary of the Group, Middlesex Associates FZ-L.L.C, renegotiated its existing lease agreements in relation to the University's campus at Knowledge Village Park, consequently entering into new & amended lease agreements and recognizing the associated right of use assets and lease liabilities, while also terminating certain of the existing agreements and derecognizing the associated right of use assets and lease liabilities. In addition, for a few leases, the Group has adjusted for lease modifications.
- (2) During the year ended 31 December 2022, a subsidiary of the Group, Cambridge Medical and Rehabilitation Center L.L.C, entered into a lease amendment agreement in relation to its healthcare facility in Al Ain whereby the lease period was extended to 30 years from 15 years with revised lease payments. The subsidiary remeasured the lease liability to reflect changes to the lease payments and recognised an amount AED 26.5 million as lease liability with a corresponding adjustment to the right-of-use asset.

The maturity analysis of lease liabilities are disclosed in Note 25.5.

The following are the amounts recognised in consolidated statement of profit or loss:

	2022 AED'000	2021 AED'000
Depreciation expense of right-of-use assets - direct (Note 4.4)	16,853	10,260
Depreciation expense of right-of-use assets - indirect (Note 5)	2,684	1,005
Interest expense on lease liabilities (Note 7.2)	7,504	4,856
Expense relating to short-term leases – direct (Note 4.4)	685	7,185
Expense relating to short-term leases – indirect (Note 5)	1,937	1,711
Total amount recognised in consolidated statement of profit or loss	29,663	25,017

The Group had total cash outflows for leases of AED 24,055 thousand in 2022 (2021: AED 14,943 thousand). The Group had non-cash additions to right-of-use assets and lease liabilities of AED 49,100 thousand and AED 54,668 thousand respectively (2021: AED 59,667 thousand). There are no leases that have not yet commenced at the reporting date.

The Group does not have lease contracts that contain variable payments.



9 LEASES (continued)**9.1 Group as lessee (continued)**

The Group's lease contracts contain extension and termination options, which are further discussed in note 3.

9.2 Group as lessor

In 2018, the Group entered into a sale purchase agreement to acquire a school building complex from a third party for a total consideration of AED 360 million. Subsequently, the Group (acting as the lessor), entered into another agreement with the same third party to lease the school building for a period of 25 years, renewable for a period of 5 years based on mutual consent of both parties. The Group accounted for this transaction as a finance lease as per IAS 17. Given that lessor accounting under IFRS 16 is substantially unchanged from IAS 17, the Group continues to classify this lease as finance lease using similar principles as in IAS 17.

Transaction costs amounting to AED 15 million are capitalised as part of the net investment in the lease. The net investment in the lease represents the present value of minimum lease payments discounted at the implicit lease rate and is recorded net of any advance lease instalments received by the Group.

The lease agreement contains put and call options for the lessor and lessee, respectively, giving the lessor the option to sell and the lessee the option to buy the underlying property at a pre-determined exercise price within a contractually agreed time frame starting in 2024 for 18 months.

In addition, out of a total contractual additional financing limit of AED 45 million as per the original lease agreement, the lessee has utilised an amount of AED 32.9 million. Management is currently not aware of any intention by the lessee to expand the leased asset.

At 31 December 2022, the Group performed an ECL assessment of its lease receivables and concluded that no allowance for expected credit losses is required to be recognised (2021: AED 2,660 thousand). Therefore, the allowance for expected credit losses recorded previously has been reversed based on management's assessment of expected credit losses as of 31 December 2022 (refer to Note 25).

The following table provides the movement in finance lease receivables:

	2022 AED'000	2021 AED'000
At 1 January	420,818	402,662
Additional financing towards the expansion of the leased asset	-	302
Lease payments received	(42,284)	(15,594)
Finance lease income	33,693	33,448
Reversal of allowance for expected credit loss	2,660	-
At 31 December	414,887	420,818

The maturity profile of the gross and net finance lease receivables is as follows:

Gross investment in finance lease receivable

	2022 AED'000	2021 AED'000
Less than one year	54,894	42,367
Between one and five years	149,812	204,706
More than five years	672,514	672,816
	877,220	919,889
Unearned finance income	(462,333)	(496,411)
Allowance for expected credit loss	-	(2,660)
Net investment in finance lease receivable	414,887	420,818



9 LEASES (continued)**9.2 Group as lessor (continued)***Net investment in finance lease receivable*

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Less than one year	51,933	37,986
Between one and five years	115,785	154,752
More than five years	247,169	228,080
	414,887	420,818
Current	51,933	37,986
Non-current	362,954	382,832

10 BUSINESS COMBINATIONS

Intangible assets acquired through business combinations are as follows:

	<i>Goodwill</i> <i>AED'000</i>	<i>Agreement</i> <i>with definite</i> <i>useful life (1)</i> <i>AED'000</i>	<i>Agreement</i> <i>with indefinite</i> <i>useful life (3)</i> <i>AED'000</i>	<i>Brand name</i> <i>with definite</i> <i>useful life (3)</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Cost:					
At 1 January 2021	358,782	133,300	-	-	492,082
Acquisition of a subsidiary (3)	156,496	-	560,867	39,668	757,031
At 31 December 2021	515,278	133,300	560,867	39,668	1,249,113
Acquisition of a subsidiary (4)	218,203	-	-	-	218,203
At 31 December 2022	733,481	133,300	560,867	39,668	1,467,316
Amortisation and impairment:					
At 1 January 2021	-	10,733	-	-	10,733
Amortisation (Note 5)	-	4,500	-	3,364	7,864
Impairment (5)	19,961	-	-	-	19,961
At 31 December 2021	19,961	15,233	-	3,364	38,558
Amortisation (Note 5)	-	4,500	-	4,043	8,543
At 31 December 2022	19,961	19,733	-	7,407	47,101
Carrying amounts					
At 31 December 2022	713,520	113,567	560,867	32,261	1,420,215
At 31 December 2021	495,317	118,067	560,867	36,304	1,210,555



10 BUSINESS COMBINATIONS (continued)

Goodwill arising on business combinations is related to the following cash generating units:

	2022 AED'000	2021 AED'000
Middlesex University (1)	276,770	276,770
Al Malaki Specialist Hospital (2)	62,051	62,051
CMRC Limited (3)	156,496	156,496
Human Development Company (4)	218,203	-
	713,520	495,317

(1) Middlesex Associates FZ-LLC

On 2 August 2018, the Group acquired 100% of the shares and voting interests in Middlesex Associates FZ-LLC ("Middlesex University") for a total consideration of AED 418,902 thousand.

Fair value measurement

Management had engaged an independent expert to provide valuation support with respect to the determination of the fair values of the assets acquired and liabilities assumed under IFRS 3 whereby a separately identifiable intangible asset was identified in relation to an agreement the subsidiary has entered into with Middlesex UK, which was estimated to have a fair value of AED 133,300 thousand at the acquisition date and a useful life of 30 years from the date of acquisition. Accordingly, AED 133,300 thousand was reduced from the initially recognised amount of goodwill resulting in adjusted goodwill of AED 276,770 thousand at acquisition.

(2) Al Malaki Specialist Hospital W.L.L

On 16 August 2018, the Group acquired 69.24% of the shares and voting interests in Al Malaki Specialist Hospital W.L.L ("MSH") for a total cash consideration of AED 142,107 thousand.

Fair value measurement

Management had engaged an independent expert to provide valuation support with respect to the determination of the fair values of the assets acquired and liabilities assumed under IFRS 3 whereby no separately identifiable assets had been identified and the entire difference between the total consideration and identified net assets at the date of acquisition of AED 82,012 thousand was accounted for as goodwill. In 2021, the Group recognized an impairment against goodwill of AED 19,961 thousand.

(3) CMRC Limited

On 28 February 2021, the Group acquired 100% of the voting shares in CMRC Limited ("CMRC"), an unlisted holding company based in Cyprus with a 100% effective shareholding in two operating subsidiaries: Cambridge Medical & Rehabilitation Centre LLC that provides healthcare services in the United Arab Emirates and CMRC Saudi Arabia LLC that provides healthcare services in the Kingdom of Saudi Arabia for a total cash consideration of AED 863,953 thousand in addition to deferred consideration of AED 7,350 thousand, out of which AED 6,433 thousand has been settled as at 31 December 2022.

Fair value measurement

Management had engaged an independent expert to provide valuation support with respect to the determination of the fair values of the assets acquired and liabilities assumed under IFRS 3 whereby separately identifiable intangible assets have been identified in relation to an indefinite agreement with an insurance provider with an acquisition-date estimated fair value of AED 560,867 thousand as well as brand name with an acquisition-date estimated fair value of AED 39,668 thousand and an expected useful life of 10 years. Accordingly, AED 600,535 thousand was reduced from the initially recognised amount of goodwill resulting in adjusted goodwill of AED 156,496 thousand at acquisition including the additional consideration.



10 BUSINESS COMBINATIONS (continued)**(3) CMRC Limited (continued)**

The fair values of the identifiable assets and liabilities of CMRC as at the date of acquisition were as follows:

	2021 AED'000
Assets	
Property and equipment	73,347
Right-of-use assets	65,795
Cash and bank balances	10,787
Inventories	4,329
Trade and other receivables	70,302
	<u>224,560</u>
Liabilities	
Accounts and other payables	(27,290)
Lease liabilities	(71,250)
Provision for employees' end of service benefits	(10,027)
	<u>(108,567)</u>
Total identifiable net assets at fair value	<u>115,993</u>
Goodwill and other intangible assets arising on acquisition	757,031
Deferred consideration	(7,350)
Additional consideration paid	(1,721)
Purchase consideration transferred	<u>863,953</u>
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	10,787
Cash paid	(863,953)
Net cash flow on acquisition	<u>(853,166)</u>

(4) Human Development Company LLC

On 27 October 2022, the Group acquired 60% of the voting shares of Human Development Company LLC ("HDC"), an unlisted holding company based in the Kingdom of Saudi Arabia and its 100% subsidiary, Human Rehabilitation Company LLC, both of whom are engaged in the provision of special education and care needs services. The acquisition has been accounted for using the acquisition method under *IFRS 3 Business Combinations*. The consolidated financial statements include the results of HDC and its subsidiary from 1 November 2022 to 31 December 2022. Transactions between 27 October 2022 and 31 October 2022 are not material to the Group.

From the date of acquisition, HDC has contributed AED 30,956 thousand of revenue, AED 12,241 thousand of profit and AED 7,345 thousand of profit attributable to equity holders of the Company. If the acquisition had taken place at the beginning of the year, the revenue contribution would have been AED 124,653 thousand, the profit contribution for the year would have been AED 47,899 thousand and the profit contribution attributable to equity shareholders of the Company would have been AED 28,739 thousand (excluding transaction related costs).

Transaction costs of AED 3,471 thousand have been expensed in 2022 and are included in general, selling and administrative expenses in the consolidated statement of profit or loss and are part of operating cash flows in the consolidated statement of cash flows.



10 BUSINESS COMBINATIONS (continued)**(4) Human Development Company LLC (continued)*****Initial consideration transferred and contingent deferred consideration***

The Group acquired HDC for initial consideration of AED 215,723 thousand in addition to potential maximum deferred contingent consideration of up to AED 46,602 thousand payable in two tranches of AED 14,499 thousand and AED 32,103 thousand in 2023 and 2024 respectively and dependent on financial performance.

As at the acquisition date, the fair value of the contingent consideration was estimated to be AED 46,002 thousand on an undiscounted basis or AED 44,165 thousand on a discounted basis and was calculated based on a probability assessment utilizing multiple performance scenarios over the performance period.

Fair value measurement

The Group has measured the fair value of identifiable assets and liabilities on a provisional basis as permitted under IFRS 3. The Group has engaged an independent expert to perform a purchase price allocation and the determination of the fair values of identifiable assets acquired and liabilities assumed under IFRS 3. If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions at the date of acquisition, then the accounting for the acquisition will be revised.

The provisional fair values of the identifiable assets and liabilities as at the date of acquisition are as follows:

	2022 AED'000
Assets	
Property and equipment	30,318
Right-of-use assets	38,157
Cash and bank	11,445
Inventories	551
Due from related parties	1,616
Trade and other receivables	80,943
	163,030
Liabilities	
Provisions, accounts and other payables	(34,329)
Lease liabilities	(39,316)
Financing from banks	(15,165)
Provision for employees' end of service benefits	(4,745)
	(93,555)
Total identifiable net assets at fair value	69,475
Non-controlling interests at the proportionate share of the identifiable net assets	(27,790)
Goodwill and other intangible assets arising on acquisition	218,203
Contingent consideration	(44,165)
Purchase consideration transferred	215,723



10 BUSINESS COMBINATIONS (continued)**(4) Human Development Company LLC (continued)**

	2022 AED'000
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	11,445
Cash paid	(215,723)
Net cash flow on acquisition	(204,278)

(5) Goodwill impairment assessment***Middlesex Associates FZ-LLC***

Management has performed an impairment test on goodwill as at 31 December 2022. The recoverable amount of the CGU has been determined at 31 December 2022 based on a value in use calculation using cash flow projections. The cash flows are derived from the most recent projections for the next five years. Cash flows beyond the 5-year period are extrapolated using a growth rate, which management believes approximates the long-term average growth rate for the industry in which the cash-generating unit operates.

The pre-tax discount rate applied to the cash flow projections is 11.4% (2021: 10.3%). As a result of the analysis, there is headroom and accordingly no impairment to goodwill.

Al Malaki Specialist Hospital W.L.L

Management has performed an impairment test on goodwill as at 31 December 2022. The recoverable amount of the CGU has been determined at 31 December 2022 based on a value in use calculation using cash flow projections. The cash flows are derived from the most recent projections for the next five years. Cash flows beyond the 5-year period are extrapolated using a growth rate, which management believes approximates the long-term average growth rate for the industry in which the cash-generating unit operates.

The pre-tax discount rate applied to the cash flow projections is 12.3% (2021: 11.2%). As a result of the analysis, there is a headroom and accordingly no further impairment to goodwill (2021: 19,961 thousand).

CMRC Limited

Management has performed an impairment test on goodwill as at 31 December 2022. The recoverable amount of the CGU has been determined at 31 December 2022 based on a value in use calculation using cash flow projections. The cash flows are derived from the most recent projections for the next five years. Cash flows beyond the 5-year period are extrapolated using a growth rate, which management believes approximates the long-term average growth rate for the industry in which the cash-generating unit operates.

The pre-tax discount rate applied to the cash flow projections ranges from 10.5% - 11.0% (2021: 12%). As a result of the analysis, there is headroom and accordingly no impairment to goodwill.

The calculation of value in use is most sensitive to the following assumptions:

Revenue***Middlesex Associates FZ-LLC***

Revenue is mainly determined based on the number of students enrolled at the university. Management took into consideration the growth in the student numbers in the past 3 years and applied estimates for future enrolments based on expected demand for the university's offerings and programs, both locally and internationally. A reasonable decrease of 5% in the expected number of students is not expected to result in any impairment to goodwill.



10 BUSINESS COMBINATIONS (continued)**(5) Goodwill impairment assessment (continued)***Revenue (continued)**Al Malaki Specialist Hospital W.L.L*

Revenue is mainly determined based on the number of consultations, deliveries and surgeries at the hospital. Management took into consideration the growth in the number of services it provided from start of operations in April 2019 as well as market research and the future outlook of the industry in Bahrain and applied estimates based on expected demand for the hospital's services, both locally and regionally. A reasonable decrease of 5% to the expected number of consultations, deliveries and surgeries would result in a further impairment to goodwill of AED 10,288 thousand.

CMRC Limited

Revenue is mainly determined based on the number of in-patients and out-patients of the hospitals. Management took into consideration estimates for future expected patients and the future outlook of the industry and applied estimates based on expected demand for the hospitals' services, both in the UAE and KSA. A reasonable decrease of 5% in the expected number of patients is not expected to result in any impairment to goodwill.

*Discount rate**Middlesex Associates FZ-LLC, Al Malaki Specialist Hospital W.L.L and CMRC Limited*

The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment from a willing market participant and the cost of debt is based on an estimate of debt available to willing market participants. Segment-specific risk is incorporated by applying individual beta factors.

Any reasonable rise of 0.25% in the discount rate is not expected to result in any impairment to goodwill related to Middlesex Associates FZ-LLC, CMRC Limited or Al Malaki Specialist Hospital W.L.L.

*Growth Rate**Middlesex Associates FZ-LLC, Al Malaki Specialist Hospital W.L.L and CMRC Limited*

The growth rate represents managements best estimate of the applicable market growth rate for the industry segments in which it operates. In 2022 and 2021 management utilized growth rates of between 2% and 3%.

Any reasonable decrease in the growth rate by 0.5% is not expected to result in any impairment to goodwill related to Middlesex Associates FZ-LLC and CMRC Limited but in a further impairment of AED 4,190 thousand to goodwill related to Al Malaki Specialist Hospital W.L.L.

11 INVESTMENTS IN ASSOCIATES

The Group's carrying value of investments in associates at 31 December are as follows:

	2022 AED'000	2021 AED'000
Sukoon International Holding Company (1)	130,692	129,170
NEMA Holding Company LLC ("NEMA") (2)	385,034	376,887
	515,726	506,057



11 INVESTMENTS IN ASSOCIATES (continued)

The movement in the investments in associates during the year is as follows:

	<i>Year ended 31 December 2022</i>				
	<i>Sukoon AED'000</i>	<i>Taaleem AED'000</i>	<i>IMC AED'000</i>	<i>NEMA AED'000</i>	<i>Total AED'000</i>
At 1 January 2022	129,170	-	-	376,887	506,057
Share of results	1,179	-	-	26,897	28,076
Amortization of PPA assets	-	-	-	(3,000)	(3,000)
Share of results in profit or loss	1,179	-	-	23,897	25,076
Share of other comprehensive income	343	-	-	-	343
Dividends received	-	-	-	(15,750)	(15,750)
At 31 December 2022	130,692	-	-	385,034	515,726
	<i>Year ended 31 December 2021</i>				
	<i>Sukoon AED'000</i>	<i>Taaleem AED'000</i>	<i>IMC AED'000</i>	<i>NEMA AED'000</i>	<i>Total AED'000</i>
At 1 January 2021	129,474	184,174	381,700	374,407	1,069,755
Share of results	(287)	5,473	10,786	41,327	57,299
Amortization of PPA assets	-	(500)	(1,266)	(3,000)	(4,766)
Share of results in profit or loss	(287)	4,973	9,520	38,327	52,533
Share of other comprehensive income	(17)	-	-	-	(17)
Dividends received	-	-	(4,870)	(17,500)	(22,370)
Disposal of associates (refer below)	-	(189,147)	(386,350)	-	(575,497)
Acquisition of non-controlling interests	-	-	-	(18,347)	(18,347)
At 31 December 2021	129,170	-	-	376,887	506,057

(1) Sukoon International Holding Company ("Sukoon")

The Group has a 33.25% interest in Sukoon International Holding Company, which provides medical and healthcare services in Jeddah, KSA. Sukoon is a private entity that is not listed on any public exchange. The Group's interest in Sukoon is accounted for using the equity method in the consolidated financial statements.



11 INVESTMENTS IN ASSOCIATES (continued)**(1) Sukoon International Holding Company (“Sukoon”) (continued)**

The following table illustrates the summarised financial information of the Group’s investment in Sukoon:

	<i>2022</i> <i>AED’000</i>	<i>2021</i> <i>AED’000</i>
Current assets	87,946	146,056
Non-current assets	197,408	156,403
Current liabilities	(32,347)	(53,487)
Non-current liabilities	(9,201)	(9,743)
Equity	243,806	239,229
Group’s share in net assets at 33.25% (2021: 33.25%)	81,067	79,545
Goodwill, intangible and other fair value adjustments	61,692	61,692
Elimination of profit on sale of IMC shares	(19,851)	(19,851)
Costs of acquisition capitalised	5,064	5,064
Amortisation of PPA assets	(1,576)	(1,576)
Other adjustments	4,296	4,296
Group’s carrying amount of the investment	130,692	129,170
	<i>2022</i> <i>AED’000</i>	<i>2021</i> <i>AED’000</i>
Revenue	80,729	83,846
Profit / (loss)	3,546	(862)
Group’s share of profit / (loss) at 33.25% (2021: 33.25%)	1,179	(287)

During 2021 Sukoon’s Ministry of Health license expired, and a renewal request has been submitted by Sukoon, which is still under process by the Ministry of Health of the Kingdom of Saudi Arabia as at the date of the issuance of the consolidated financial statements. Management of the Company assessed that based on the history of renewals of the license and the fact that Sukoon has all the required documentation in place, it is not expected that there will be any complications in the license renewal process, which is expected to be renewed during the first quarter of 2023.

(2) NEMA Holding Company LLC (“NEMA”)

The Group has a 35% interest in NEMA Holding Company LLC, acquired on 6 March 2018. NEMA is involved in the provision of tertiary education and vocational services in Abu Dhabi, United Arab Emirates. NEMA is a private entity that is not listed on any public exchange. The Group’s interest in NEMA is accounted for using the equity method in the consolidated financial statements.



11 INVESTMENTS IN ASSOCIATES (continued)**(2) NEMA Holding Company LLC (“NEMA”) (continued)**

The following table illustrates the summarised financial information of the Group’s investment in NEMA:

	2022 AED’000	2021 AED’000
Current assets	213,300	216,550
Non-current assets	1,164,013	924,625
Current liabilities	(172,882)	(191,477)
Non-current liabilities	(465,884)	(242,999)
Equity attributable to the owners of NEMA	738,547	706,699
Group’s share in net assets at 35% (2021: 35%)	258,492	247,345
Goodwill and intangibles at acquisition	131,194	131,194
Costs of acquisition capitalised	9,380	9,380
Amortization of PPA assets	(14,032)	(11,032)
Group’s carrying amount of the investment	385,034	376,887
	2022 AED’000	2021 AED’000
Revenue	481,723	533,597
Profit	76,847	118,077
Group’s share of profit at 35% (2021: 35%)*	26,897	41,327

* Includes the Group’s share of transaction costs amounting to AED 1,697 thousand in relation to the acquisition of a 100% stake in LIWA College of Technology by NEMA Holding during the year.

(3) Taaleem Holdings PSC (“Taaleem”)

In 2021, the Group signed a sale and purchase agreement with Knowledge Fund Establishment for the sale of the Group’s entire shareholding in Taaleem Holdings for a total cash consideration of AED 349,402 thousand, which was approved by the Board of Directors in its meeting dated 22 April 2021. The sale and purchase transaction was completed on 28 April 2021 whereby the investment in Taaleem has been disposed of and the difference between the carrying amount of the investment on the date of disposal and the sale consideration has been recorded as gain in consolidated statement of profit or loss as follows:

	2021 AED’000
Consideration received	349,402
Net carrying value of the investment at the date of disposal	(189,147)
	160,255



11 INVESTMENTS IN ASSOCIATES (continued)**(3) Taaleem Holdings PSC (“Taaleem”) (continued)**

Prior to disposal, the Group had a 21.67% interest in Taaleem Holdings PSC, which is involved in providing educational services in the United Arab Emirates. At the date of disposal, Taaleem was a private entity not listed on any public exchange. The Group’s interest in Taaleem was accounted for using the equity method in the consolidated financial statements up to the date of disposal. The following table illustrates the summarised financial information of the Group’s investment in Taaleem:

	2021 AED’000
Revenue*	182,508
Profit*	25,256
Group’s share of profit at 21.67%*	5,473

*from 1 January 2021 up to the date of disposal

(4) International Medical Center (“IMC”)

In 2021, the Group signed a sale and purchase agreement with a private investor for the sale of the Group’s entire shareholding in International Medical Center KSA (“IMC”) for a total consideration of AED 433,284 thousand. The sale was approved by the Board of Directors on 14 August 2021.

The sale and purchase transaction was completed on 15 September 2021 whereby the investment in IMC has been disposed of and the difference between the carrying amount of the investment on the date of disposal and the sale consideration has been recorded as gain in consolidated statement of profit or loss as follows:

	2021 AED’000
Consideration received	433,284
Net carrying value of the investment at the date of disposal	(386,350)
Other expenses	(4,308)
	42,626

Prior to disposal, the Group had a 13.13% interest in International Medical Center, which is involved in providing healthcare services in Jeddah, KSA. IMC is a closed joint stock entity that is not listed on any public exchange. The Group’s interest in IMC was accounted for using the equity method in the consolidated financial statements up to the date of the disposal. The following table illustrates the summarised financial information of the Group’s investment in IMC:

	2021 AED’000
Revenue*	936,788
Profit and other comprehensive income*	82,168
Group’s share of total comprehensive income at 13.13%*	10,786

*from 1 January 2021 up to the date of disposal



12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Emirates NBD REIT Limited – quoted (1)	12,912	15,219
BEGiN – unquoted (2)	18,609	18,609
	<hr/>	<hr/>
At 31 December	31,521	33,828
	<hr/> <hr/>	<hr/> <hr/>

(1) The investment consists of a 3.54% shareholding in a quoted equity investment made by the Group in Emirates NBD REIT Limited, which is listed on the NASDAQ Dubai exchange.

(2) The investment consists of a shareholding of approximately 1% in a US-based leading education technology company.

The movement in the FVOCI investments during the year was as follows:

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
At 1 January	33,828	32,968
Net change in fair value	(2,307)	860
	<hr/>	<hr/>
At 31 December	31,521	33,828
	<hr/> <hr/>	<hr/> <hr/>

13 TRADE AND OTHER RECEIVABLES

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Trade receivables	181,688	103,020
Less: allowance for expected credit losses	(29,879)	(17,122)
	<hr/>	<hr/>
	151,809	85,898
Prepayments	14,706	10,927
Accrued share of revenue from joint services agreements	8,481	-
Refundable deposits	5,915	1,847
Advances to suppliers	5,193	3,072
Amounts due under joint services agreements	4,755	-
Accrued profit/interest on term deposits	3,209	4,635
Other receivables	7,931	4,860
	<hr/>	<hr/>
	201,999	111,239
	<hr/> <hr/>	<hr/> <hr/>

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

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
At 1 January	17,122	8,792
Acquired through business combination	10,349	4,011
Charge for the year (Note 5)	4,854	6,939
Reversal	(2,313)	-
Write-offs	(133)	(2,620)
	<hr/>	<hr/>
At 31 December	29,879	17,122
	<hr/> <hr/>	<hr/> <hr/>

Information regarding credit exposures is disclosed in Note 25.



14 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by the Group and such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Balances with related parties

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Due from related parties		
<i>Associates</i>		
Sukoon*	204	7,924
Other related parties	2,523	155
	<u>2,727</u>	<u>8,079</u>

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Due to related parties		
Other related party – non-current	5,780	4,013
Other related party – current	-	1,217

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
<i>Transactions with related parties</i>		
<i>Key management personnel</i>		
Management fee	2,555	4,115

* During the year ended 31 December 2022, the Group received AED 7,466 thousand of proceeds in relation to a 2020 capital reduction at Sukoon.

Management fee expense is included under share of results of an associate for services provided by a key management member of the Company to the associate. The above management fee represents the Group's share of the expense.

There were no other material transactions with related parties during the years ended 31 December 2022 and 2021. Dividend received from associates is disclosed in note 11.

Key management personnel remunerations

Group key management personnel compensation including board remuneration disclosed in note 5, comprise the following:

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Short-term benefits	24,153	30,000
Post-employment benefits	1,096	627
Board remuneration (Note 5)	2,917	6,301

The amounts disclosed above are the amounts recognised as expense during the year related to key management personnel.



15 CASH AND BANK BALANCES

Cash and bank balances in the consolidated statement of financial position comprise the following:

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Cash on hand	544	793
Current accounts with banks	150,785	112,839
Cash balance held with a third party (Note 16.2)	2,506	10,206
Bank financing service reserve account	3,896	8,091
Shariah compliant term deposits	386,208	627,000
Non-Sharia compliant term deposits	40,000	119,107
Cash and bank balances	583,939	878,036

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

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Cash and bank balances	583,939	878,036
Less:		
Cash balance held with a third party (Note 16.2)	(2,506)	(10,206)
Bank financing service reserve account	(3,896)	(8,091)
Shariah compliant term deposits (with initial maturity of more than 3 months)	(179,308)	(627,000)
Non-Sharia compliant term deposits (with initial maturity of more than 3 months)	(40,000)	(119,107)
Bank overdraft (Note 25.2)	(11,914)	(21,072)
Cash and cash equivalents	346,315	92,560

During the year ended 31 December 2022, the Group earned an aggregate profit/interest of AED 11,433 thousand on its deposits (2021: AED 5,429 thousand) (Note 7.1).

16 SHARE CAPITAL AND TREASURY SHARES**16.1 Share capital**

The share capital of the Company is AED 2.5 billion (2021: AED 2.5 billion).

As at 31 December 2022 the Company had 2,500,000,000 ordinary shares in issuance of AED 1 each which were fully paid up. Holders of these ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Group.

16.2 Treasury shares

In 2020, the Company engaged a third-party licensed Market Maker on the Dubai Financial Market that offers liquidity provision services, to place buy and sell orders of the Company's shares with the objective of reducing bid/ask spreads as well as reducing price and volume volatility. At 31 December 2022, the Market Maker held 33,605,357 (2021: 11,036,734) of Amanat's shares on behalf of the Company, which are classified under equity as treasury shares at par value at 31 December 2022. A cumulative gain of AED 2,073 thousand has been recognised at 31 December 2022 as Share Premium under equity out of which a net loss of AED 804 thousand (31 December 2021: net gain of AED 2,354 thousand) is from the net disposal of shares during the current year. At the end of the contract term with the Market Maker, the Company will have the option to either transfer the outstanding shares under its name or dispose of the shares in the market.



17 STATUTORY RESERVE

As required by Article 239 of the UAE Federal Decree-Law No. 32 of 2021, 10% of the profit for the year is required to be transferred to the Statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid-up share capital. During 2022, an amount of AED 11,421 thousand (2021: AED 28,083 thousand) has been transferred to the statutory reserve. The statutory reserve is not available for distribution.

18 FINANCING FROM BANKS

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Term loan (1)	70,089	71,063
Revolving bank facilities (2)	23,325	-
Musharaka financing facility (3)	334,125	374,626
Less: loan arrangement fees (3)	(1,899)	(2,261)
	332,226	372,365
	425,640	443,428
Current	69,282	51,911
Non-current	356,358	391,517

- (1) During the year, a subsidiary of the Group, Al Malaki Specialist Hospital W.L.L, signed an amended bank facility offer letter in relation to the subsidiary's bank borrowings and overdraft facility. In accordance with the amended terms, principal repayments for the year 2022 were reduced from AED 15.6 million to AED 5.8 million and the remaining principal repayments were realigned, with the final loan repayment date extended to September 2027 from June 2026. As at 31 December 2022, the bank overdraft was partially settled with AED 8.5 million of unutilized facility available, while the bank borrowings facility has been entirely utilised. In addition, a moratorium on covenant testing was agreed for the financial years 2022 and 2023. This loan incurs interest at competitive market rates.
- (2) As at 31 December 2022, the carrying amount represents revolving bank facilities utilized by the Group's subsidiary, HDC, to finance short term working capital requirements, where required. The loan facilities have a maturity ranging between 6 to 12 months and accrue profit at competitive market rates.
- (3) In 2021, the Group obtained a Musharaka term facility of AED 405,000 thousand to finance the acquisition of CMRC. The facility is repayable in quarterly principal instalments of AED 10,125 thousand each plus profit, with profit accruing at competitive market rates, over a period of 7 years with a 30% balloon payment to be made along with the last instalment. The facility is secured against corporate guarantees from the Company and CMRC Limited and its subsidiaries, 100% pledge over the shares of CMRC Limited and its subsidiaries and an assignment of dividends of CMRC Saudi Arabia LLC.

Arrangement fees of AED 2,746 thousand were paid by the Group, which are being amortised over the facility term of 7 years.

The Group is required to maintain certain financial covenants at the level of CMRC UAE, which are all met at the reporting date.



19 OTHER LONG-TERM PAYABLES

	2022 AED'000	2021 AED'000
Contingent consideration (Note 10)	29,782	-
Unamortised rent incentive – non-current portion	3,536	3,630
Other long-term payables	33,318	3,630

20 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2022 AED'000	2021 AED'000
Balance as at 1 January	22,814	9,609
Acquisition of a subsidiary (Note 10)	4,745	10,027
Charge for the year	10,013	6,594
Payments made during the year	(4,672)	(3,416)
Balance as at 31 December	32,900	22,814

21 PROVISIONS, ACCOUNTS AND OTHER PAYABLES

	2022 AED'000	2021 AED'000
Accounts payable	24,162	25,674
Staff related accruals	19,758	21,701
Contingent consideration (Note 10)	14,383	-
Accrued transaction costs	2,802	13,292
Directors' and committee remuneration payable	3,698	8,426
Customer deposits	2,977	2,043
Deferred consideration	917	4,900
Provisions, other accruals and payables*	69,387	43,320
	138,084	119,356

*In the normal course of business the Company and its subsidiaries receive inquiries from governmental and regulatory authorities in the geographies in which they operate. Should the Group assess that it is probable that the outcome of such inquiries may result in a financial outflow, and a reliable estimate can be made of the amount of that obligation, a provision is recognised. The determination of the value of any future outflows and the timing of such outflows, involves the use of estimates and the application of judgement as the outcome is inherently uncertain.

In accordance with the above, a provision has been recorded in the current year for a notice of inquiry received by the Group from a governmental authority. This provision has been recorded based on management's best estimate of the likely outcome of such inquiries and based on expert external advice. Such provisions are included as part of 'Provisions, other accruals and payables' and are not material to the overall consolidated financial statements as assessed by management.

The Company has utilised the exemption available under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and disclosed such provisions within provisions, other accruals and payables in the consolidated statement of financial position.



22 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to the owners of the Company for the year and the weighted average number of ordinary shares outstanding during the year.

	<i>2022</i>	<i>2021</i>
Profit for the year attributable to equity holders of the Company (AED'000)	114,213	280,831
Weighted average number of ordinary shares ('000)*	2,492,052	2,499,091
Basic and diluted earnings per share (AED)	0.0458	0.1124

* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares during the year.

23 DIVIDENDS

A dividend of AED 150,000 thousand (AED 6 fils per ordinary share) was declared and paid during the year (2021: no dividend declared). Subsequent to the year end, the Board of Directors in its meeting held on 14 February 2023 proposed a cash dividend of AED 100,000 thousand (AED 4 fils per ordinary share), which is subject to the approval of the shareholders at the upcoming Annual General Meeting of the Company.

24 COMMITMENTS AND CONTINGENCIES***Contingencies***

The Company and its subsidiaries do not have any significant contingent liabilities at the reporting date (2021: Nil). Below are the details of the Group's share of its associates' contingent liabilities at the reporting date.

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Bank guarantees	20,899	18,608
Capital commitments	8,604	-

25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**25.1 Financial assets**

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Equity instruments designated at FVOCI		
Listed equity investment	12,912	15,219
Non-listed equity investment	18,609	18,609
	31,521	33,828



25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**25.1 Financial assets (continued)**

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Derivatives not designated as hedging instruments		
Interest rate swap	1,590	-
Warrants*	3,568	-
	5,158	-
Debt instruments at amortised cost		
Trade and other receivables	186,443	97,240
Finance lease receivables	414,887	420,818
Due from related parties	2,727	8,079
	604,057	526,137
Total financial assets**	640,736	559,965
Total current	241,103	143,305
Total non-current	399,633	416,660

* During the year the Group recognized 289,320 vested warrants in relation to the minority investment held in BEGiN, which have not been exercised as at 31 December 2022. The Group has recorded these warrants as derivative instruments at fair value and will classify them as equity instruments at FVOCI once exercised.

** Financial assets, other than cash and bank balances

25.2 Financial liabilities

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Interest-bearing loans and borrowings		
Lease liabilities	190,343	124,241
Bank overdraft	11,914	21,072
Financing from banks (net of arrangement fees)	425,640	443,428
	627,897	588,741
Derivative designated as hedging instrument		
Interest rate swap	-	1,646
Financial liabilities at amortised cost		
Accounts and other payables	123,701	118,114
Due to related parties	5,780	5,230
	129,481	123,344



25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**25.2 Financial liabilities (continued)**

	2022 AED'000	2021 AED'000
Financial liabilities at fair value through profit or loss		
Contingent consideration (Note 10)	44,165	-
Total financial liabilities	801,543	713,731
Total current	246,248	209,102
Total non-current	555,295	504,629

25.3 Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk.

The Group's risk management strategy and how it is applied to manage risk are explained in note 25.5 below.

Derivative designated as hedging instrument***Cash flow hedge – Interest rate swap***

At 31 December 2022, the Group has an interest rate swap agreement in place with a notional amount of USD 50,997,141 (equivalent to AED 187,312,500) (2021: AED 187,312,500) whereby the Group pays an agreed rate of interest fixed on a quarterly basis and receives a capped interest at a variable rate equal to 3-month USD LIBOR on the notional amount. The swap is being used to hedge the exposure to changes in variable interest rates of the bank financing obtained prior year for the acquisition of CMRC (Note 18).

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap closely match the terms of the hedged item (i.e., maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

Management assessed effectiveness of the hedge instrument based on above criteria and concluded that the hedge is ineffective as at reporting date, and accordingly, the Group has reclassified the cumulative fair value gain of the derivative instrument of AED 1,590 thousand in consolidated statement of profit or loss from cash flow hedge reserve.

25.4 Fair values

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



25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

25.4 Fair values (continued)

The fair value of the Group's financial assets and liabilities approximate their book values as at 31 December 2022 and 2021 based on management's assessment and as follows:

- Management assessed that the fair values of cash and bank balances, trade and other receivables, provisions, accounts and other payables, due from and to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The quoted financial asset at FVOCI is carried at fair value using quoted price and there is an active market for it.
- The unquoted financial asset at FVOCI is carried at fair value using the latest transaction price.
- Management assessed that the book value of long-term borrowings as at 31 December 2022 approximates their fair values due to the fact that they bear variable interest rates that reflect current market interest rates for similar borrowings. As a result, the values of the future discounted cash flows on those borrowings are not significantly different from their current book values.
- Management assessed that the book value of the finance lease receivables approximate its fair value as the balances has been discounted using appropriate discount factors.

The Group's quoted financial asset at FVOCI is carried at fair value using level 1 valuation method. The Group's unquoted financial asset at FVOCI is carried at fair value using level 2 valuation method. There have been no reclassifications made between the valuation levels during the current year or the previous year.

25.5 Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise provisions, accounts and other payables, financing from banks, due to related parties, and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, finance lease receivables, due from related parties and bank balances that derive directly from its operations. The Group also holds investments in financial assets.

The Group is exposed to credit risk, liquidity risk, market risk and operational risk.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

This note presents information relating to the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, finance lease receivables and other financial instruments.

The Group manages its credit risk exposure through diversification of its investments and deposits to avoid concentration of risk with institutions or group of institutions in specific location or business.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2022 and 2021 is the carrying amounts of the financial assets disclosed in note 25.1 above.



25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**25.5 Financial instruments risk management objectives and policies (continued)****Credit risk (continued)*****Financial instruments and cash deposits***

Credit risk from balances with banks and financial institutions is managed by the treasury department of each business unit in accordance with set policies.

Exposure to credit risk is monitored on an ongoing basis. Cash balances are held with the banks and financial institutions which are rated A+ to BBB- based on Standard and Poor's credit ratings. The significant portion of the credit exposure of the Group is in the UAE.

The Group has investments in a quoted and unquoted equities with low credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

Education sector

Trade receivables of the education sector relate to amounts receivable by Middlesex University and HDC from students and government ministries for providing academic and special education services, accordingly.

Middlesex extends a credit period of 30 days to its debtors and no interest is charged on overdue receivables. Outstanding receivables are regularly monitored. At 31 December 2022 and 2021, there was no concentration risk related to the trade receivables of the education sector.

HDC extends a credit period of 45 to 180 days to its debtors and no interest is charged on overdue receivables. Outstanding receivables are regularly monitored. At 31 December 2022, HDC had 3 customers that accounted for approximately 93% of the total HDC receivables outstanding and 41% of all the receivables outstanding.

Healthcare sector

Trade receivables of the healthcare sector relate to amounts receivable by the subsidiaries CMRC UAE, CMRC KSA and MSH mainly from governmental authorities and reputable insurance companies operating in the respective countries. At 31 December 2022, the Group had 11 customers (2021: 11) that accounted for approximately 94% (2021: 96%) of the total healthcare receivables outstanding and 37% (2021: 70%) of all the receivables outstanding.

Impairment

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off when considered unrecoverable. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2022

		<i>Days past due</i>				
	<i>Total</i>	<i>Not past</i>	<i>0-60</i>	<i>61-120</i>	<i>121-365</i>	<i>>365</i>
	<i>AED'000</i>	<i>due</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Expected credit loss rate		-	3.3%	4.7%	62.7%	72.0%
Estimated total gross carrying amount at default	181,688	999	70,304	74,953	15,797	19,635
Expected credit loss	29,879	-	2,320	3,511	9,910	14,138



25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**25.5 Financial instruments risk management objectives and policies (continued)****Credit risk (continued)****Trade receivables (continued)***Impairment (continued)*

31 December 2021

	<i>Total AED'000</i>	<i>Not past due AED'000</i>	<i>Days past due</i>			
			<i>0-60 days AED'000</i>	<i>61-120 days AED'000</i>	<i>121-365 days AED'000</i>	<i>>365 days AED'000</i>
Expected credit loss rate		-	2.4%	6.7%	48.3%	97.8%
Estimated total gross carrying amount at default	103,020	5,632	55,714	23,218	7,754	10,702
Expected credit loss	17,122	-	1,344	1,560	3,749	10,469

Finance lease receivables

As described in note 9, the Group entered into a finance lease arrangement as a lessor. The Group's maximum exposure to credit risk on its finance lease receivable is best represented by its carrying value at the reporting date. Prior to entering into this contract, the Group performed necessary diligence on the credit worthiness of the counter party (lessee) and the quality and performance of the underlying asset. The Group constantly monitors the credit risk on its finance lease receivable.

The agreement grants protective rights to the Group in an event of default allowing it to terminate the contract and physically repossess the property. Such protective rights, in addition to other guarantees as mentioned in note 9, limit the amount of credit risk on the exposure since it is covered by the fair value of the underlying property.

Due from related parties

Balances due from related parties are settled on an as requested basis, and accordingly, the Group considers these balances to be fully recoverable.

Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2022

	<i>On demand AED'000</i>	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>After 5 years AED'000</i>	<i>Total AED'000</i>
Accounts and other payables	-	74,445	32,557	-	-	107,002
Lease liabilities	-	5,483	18,066	105,108	229,228	357,885
Financing from banks	-	18,368	79,673	437,854	-	535,895
Other long-term payables	-	-	-	31,854	-	31,854
Bank overdraft	11,914	-	-	-	-	11,914
Due to related parties	-	-	-	5,780	-	5,780
	11,914	98,296	130,296	580,596	229,228	1,050,330



25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**25.5 Financial instruments risk management objectives and policies (continued)****Liquidity risk (continued)**

31 December 2021

	<i>On demand</i>	<i>Less than</i>	<i>3 to 12</i>	<i>1 to 5</i>	<i>After 5</i>	<i>Total</i>
	<i>AED'000</i>	<i>3 months</i>	<i>months</i>	<i>years</i>	<i>years</i>	<i>AED'000</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Accounts and other payables	-	60,291	46,328	-	-	106,619
Lease liabilities	-	3,902	16,604	86,526	75,243	182,275
Financing from banks	-	15,117	54,180	303,246	132,499	505,042
Bank overdraft	21,072	-	-	-	-	21,072
Due to related parties	1,217	-	-	4,013	-	5,230
	<u>22,289</u>	<u>79,310</u>	<u>117,112</u>	<u>393,785</u>	<u>207,742</u>	<u>820,238</u>

Market risk

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables. Market risk arises from foreign currency products, interest bearing products and equity investments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as currency rates, interest rates, equity prices and credit spreads.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will change because of changes in foreign exchange rates. The Group's foreign currency exposure arises principally from transactions denominated in Saudi Arabian Riyal ("SAR") and Bahraini Dinar ("BHD"). Since the SAR, BHD and AED are pegged to the United State Dollar ("USD"), the Group has no significant exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's deposits earn interest/profit at fixed rates, hence any changes in interest/profit rate will not have an impact on the consolidated statement of profit or loss of the Group. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The interest rate profile of the Group's financial assets and liabilities are shown in the table below:

	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
<i>Fixed rate instruments – assets</i>		
Shariah compliant and non-shariah compliant term deposits with banks	<u>426,208</u>	<u>746,107</u>
<i>Variable rate instruments – liabilities</i>		
Term loan facility	(70,089)	(71,063)
Revolving bank facilities	(23,325)	-
Musharaka financing facility	(334,125)	(374,626)
Bank overdraft	(11,914)	(21,072)
	<u>(439,453)</u>	<u>(466,761)</u>

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.



25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

25.5 Financial instruments risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

An increase of 0.5% in interest rates with all other variables held constant would decrease the Group's profit by AED 2,022 (2021: AED 2,209)

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Equity price risk arises from the change in fair value of equity instruments. The Group is exposed to equity price risk, which arises from fair value through other comprehensive income securities.

The Group's equity investment in Emirates NBD REIT is listed on the Nasdaq Dubai. A 5% increase in equity indices of the security at the reporting date would have increased other comprehensive income and equity attributable to the owners of the Company by AED 646 thousand (2021: AED 761 thousand) and an equal change in the opposite direction would have decreased other comprehensive income and equity by the same amount.

At the reporting date, the exposure to non-listed equity investments at fair value through OCI was AED 18,609 thousand (2021: AED 18,609 thousand).

Operational risk

Operational risk is the risk of a direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Group's senior management identifies and manages operational risk to reduce the likelihood of any operational losses. Compliance with policies and procedures is supported by periodic reviews undertaken by the management of the business unit to which they relate, with summaries submitted to the Audit Committee and Board of Directors of the Group.

Capital management

The Group's capital management policy is governed by the Board of Directors of the Company. The Company's objectives of managing capital are to ensure the Company's ability to continue as a going concern and increase the net worth of the Company and shareholders' interests so as to maintain the confidence of its investors, creditors and the market and to sustain future development of the business. For the purpose of the Group's capital management, capital includes share capital, share premium, treasury shares and all other equity reserves attributable to the equity holders of the Company.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'debt' divided by total capital plus debt.



25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**25.5 Financial instruments risk management objectives and policies (continued)****Capital management (continued)**

The Group includes within net (cash) / debt, interest bearing loans and borrowings excluding lease liabilities, less cash and bank balances.

	2022 AED'000	2021 AED'000
Interest-bearing loans and borrowings (exc. lease liabilities) (Note 25.2)	437,554	464,500
Less: cash and bank balances	(583,939)	(878,036)
Net cash	(146,385)	(413,536)
Equity	2,746,324	2,768,760
Equity and debt	3,183,878	3,233,260
Gearing ratio	14%	14%

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current year.

No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

26 SEGMENT INFORMATION

The principal activities of the Group are to invest in the fields of education and healthcare and managing, developing and operating such companies and enterprises.

The details of segment revenue, segment result, segment assets and segment liabilities are as follows:

	<i>Investments</i> AED'000	<i>Education</i> AED'000	<i>Healthcare</i> AED'000	<i>Total</i> AED'000	<i>Eliminations</i> AED'000	<i>Consolidated</i> AED'000
31 December 2022						
Revenue	-	179,020	334,081	513,101	-	513,101
Direct costs	(2,295)	(86,329)	(197,592)	(286,216)	3,157	(283,059)
General, selling and administrative expenses	(47,861)	(48,913)	(79,482)	(176,256)	2,357	(173,899)
Share of results of associates	-	23,897	1,179	25,076	-	25,076
Income from finance lease	-	33,693	-	33,693	-	33,693
Other operating income	15,345	3,528	4,005	22,878	(8,792)	14,086
Finance income	12,222	340	2,204	14,766	(1,614)	13,152
Finance costs	(16,299)	(2,659)	(15,927)	(34,885)	4,892	(29,993)
Zakat	-	(435)	-	(435)	-	(435)
Segment results	(38,888)	102,142	48,468	111,722	-	111,722



26 SEGMENT INFORMATION (continued)

	<i>Investments AED'000</i>	<i>Education AED'000</i>	<i>Healthcare AED'000</i>	<i>Total AED'000</i>	<i>Eliminations AED'000</i>	<i>Consolidated AED'000</i>
<i>Segment profit/(loss) attributable to:</i>						
Equity holders of the Company	(38,888)	97,246	55,855	114,213	-	114,213
Non-controlling interests	-	4,896	(7,387)	(2,491)	-	(2,491)
Total assets	572,745	1,748,826	1,549,745	3,871,316	(240,383)	3,630,933
Total liabilities	(509,155)	(222,528)	(663,077)	(1,394,760)	510,151	(884,609)
Capital expenditure	(1,490)	(6,701)	(11,218)	(19,409)	-	(19,409)
Depreciation and amortization	4,723	20,932	33,875	59,530	(3,157)	56,373
	<i>Investments AED'000</i>	<i>Education AED'000</i>	<i>Healthcare AED'000</i>	<i>Total AED'000</i>	<i>Eliminations AED'000</i>	<i>Consolidated AED'000</i>
<i>31 December 2021</i>						
Revenue	-	136,991	275,881	412,872	-	412,872
Direct costs	(648)	(64,568)	(163,958)	(229,174)	861	(228,313)
General, selling and administrative expenses	(56,369)	(46,211)	(70,782)	(173,362)	2,402	(170,960)
Share of results of associates	-	43,300	9,233	52,533	-	52,533
Gain on disposal of associates	-	160,255	42,626	202,881	-	202,881
Income from finance lease	-	33,448	-	33,448	-	33,448
Impairment of goodwill	-	-	(19,961)	(19,961)	-	(19,961)
Other operating income	3,679	1,172	2,127	6,978	(3,570)	3,408
Finance income	7,023	-	8,681	15,704	(10,275)	5,429
Finance costs	(8,834)	(762)	(19,183)	(28,779)	10,582	(18,197)
Segment results	(55,149)	263,625	64,664	273,140	-	273,140
	<i>Investments AED'000</i>	<i>Education AED'000</i>	<i>Healthcare AED'000</i>	<i>Total AED'000</i>	<i>Eliminations AED'000</i>	<i>Consolidated AED'000</i>
<i>Segment profit/(loss) attributable to:</i>						
Equity holders of the Company	(55,149)	263,625	72,355	280,831	-	280,831
Non-controlling interests	-	-	(7,691)	(7,691)	-	(7,691)
Total assets	907,900	1,334,591	1,748,558	3,991,049	(447,029)	3,544,020
Total liabilities	(475,787)	(114,063)	(632,498)	(1,222,348)	447,088	(775,260)
Capital expenditure	(59,290)	(4,143)	(7,893)	(71,326)	-	(71,326)
Depreciation and amortization	1,267	11,499	29,350	42,116	(860)	41,256



27 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of the subsidiaries that has material non-controlling interests are provided below:

(1) Proportion of equity interest held by non-controlling interests:

Subsidiaries	Non-controlling interests	
	2022	2021
Al Malaki Specialist Hospital W.L.L	30.76%	30.76%
Human Development Company LLC	40%	-
<i>Accumulated balances of non-controlling interests:</i>		
	2022 AED'000	2021 AED'000
Al Malaki Specialist Hospital W.L.L	1,463	(1,346)
Human Development Company LLC	32,635	-
Total equity	34,098	(1,346)

(2) Summarised financial information of the subsidiaries before inter-company eliminations**(a) Al Malaki Specialist Hospital W.L.L***Summarised statement of profit or loss for the year ended 31 December 2022:*

	2022 AED'000	2021 AED'000
Revenue	36,324	30,308
Costs and expenses	(53,104)	(48,894)
Other income	1,408	641
Finance costs	(8,644)	(7,059)
Loss for the year	(24,016)	(25,004)
Attributable to non-controlling interests	(7,388)	(7,691)

Summarised statement of financial position as at 31 December 2022:

	2022 AED'000	2021 AED'000
Non-current assets	125,947	132,486
Current assets	26,336	12,061
Non-current liabilities	(105,221)	(93,279)
Current liabilities	(42,306)	(55,644)
Total equity	4,756	(4,376)
Attributable to non-controlling interests	1,463	(1,346)



27 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)**(2) Summarised financial information of the subsidiaries before inter-company eliminations (continued)****(a) Al Malaki Specialist Hospital W.L.L (continued)***Summarised cash flow information for the year ended 31 December 2022:*

	2022 AED'000	2021 AED'000
Operating	(8,182)	(10,922)
Investing	(1,945)	(2,002)
Financing	18,921	3,863
Net increase / (decrease) in cash and cash equivalents	<u>8,794</u>	<u>(9,061)</u>

(b) Human Development Company LLC*Summarised consolidated statement of profit or loss for the period 1 November 2022 to 31 December 2022:*

	2022 AED'000
Revenue	30,956
Costs and expenses	(19,523)
Other income	1,904
Finance costs	(661)
Zakat	(435)
Profit for the period	<u>12,241</u>
Total comprehensive income	<u>12,112</u>
Attributable to non-controlling interests	<u>4,845</u>

Summarised consolidated statement of financial position as at 31 December 2022:

	2022 AED'000
Non-current assets	69,265
Current assets	108,822
Non-current liabilities	(36,919)
Current liabilities	(59,579)
Total equity	<u>81,589</u>
Attributable to non-controlling interests	<u>32,635</u>



27 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)**(2) Summarised financial information of the subsidiaries before inter-company eliminations (continued)****(b) Human Development Company LLC (continued)**

Summarised consolidated statement of cash flow information for the period 1 November 2022 to 31 December 2022:

	2022 AED'000
Operating	(3,357)
Investing	(2,664)
Financing	7,973
Net increase in cash and cash equivalents	<u>1,952</u>

(3) Movements in non-controlling interests

The following table summarises the information about movements in non-controlling interest for the period:

	<i>Non-controlling interests</i> 2022 AED'000	2021 AED'000
Balance as at 1 January	(1,346)	6,345
Acquisition of a subsidiary (Note 10)	27,790	-
Shareholder contribution in subsidiary	10,197	-
Net loss for the year	(2,543)	(7,691)
Balance as at 31 December	<u>34,098</u>	<u>(1,346)</u>

28 CORPORATE TAX IN THE UAE

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

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on the future consolidated financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.



29 COMPARATIVE FIGURES

During the year ended 31 December 2022, management amended the presentation of the consolidated statement of profit or loss whereby items related to the Company's investing activities previously reported under non-operating profit/(loss) have been reclassified under operating profit/(loss). As per management's assessment and given that the Company's principal activities comprise investments in other enterprises, such reclassification enhances the understanding of the Group's underlying performance by the users of the consolidated financial statements. Accordingly, share of results of associates, gain on disposal of associates, and finance lease income have been reclassified and included under operating profit/(loss). The reclassification did not have any impact on the previously reported results and net assets of the Group.

The table below summarizes the impact of the reclassifications on the comparative figures in the consolidated statement of profit or loss:

	<i>2021</i> <i>AED'000</i>
Operating Loss – as previously reported	(2,954)
Add:	
Share of results of associates	52,533
Gain on disposal of associates	202,881
Income from finance lease	33,448
Operating Profit – as currently reported	<u>285,908</u>

In addition, certain comparative figures in the consolidated statement of profit or loss have been reclassified, where appropriate, to confirm to the current period's presentation. Such reclassifications did not have any impact on the previously reported net assets and results of the Group and are summarised as follows.

Consolidated statement of profit or loss for the year period ended 31 December 2021

	<i>As previously reported AED'000</i>	<i>Reclassification AED'000</i>	<i>As currently reported AED'000</i>
Direct costs	(223,479)	(4,834)	(228,313)
Gross profit	189,393	(4,834)	184,559
General and administrative expenses	(175,794)	4,834	(170,960)

30 ALTERNATIVE PERFORMANCE MEASURES

Management considers the use of non-IFRS Alternative Performance Measures (APMs) to be key in understanding the Group's financial performance as well as assisting in forecasting the performance of future periods.

The presentation of APMs has limitations as analytical tools and should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS.

In presenting the APMs management adjusts for certain items that vary between periods and for which the adjustment facilitates comparability between periods.

A reconciliation of the APMs utilised to the most directly reconcilable line items in the consolidated statement of profit or loss is provided below and may differ from similarly titled measures used by other entities.



30 ALTERNATIVE PERFORMANCE MEASURES (continued)**(a) Adjusted profit attributable to the equity holders of the Company**

This APM represents the reported profit attributable to the equity holders of the Company adjusted for income/expense related to:

- disposals of investees;
- transaction related costs;
- gain on disposal of associates during the previous year;
- share of results of investees disposed of during the previous year;
- gain on derivative instrument;
- other one-off non-recurring item; and
- goodwill impairment loss.

(b) Adjusted operating profit attributable to the equity holders of the Company

This APM represents the reported adjusted profit attributable to the equity holders of the Company adjusted for finance costs, finance income and zakat.

(c) Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA)

This APM represents the reported adjusted operating profit attributable to the equity holders of the Company adjusted for income/expense related to:

- disposals of investees;
- transaction related costs;
- gain on disposal of associates during the previous year;
- share of results of investees disposed of during the previous year;
- depreciation and amortization;
- purchase price amortisation of associates;
- gain on derivative instrument; and
- other one-off non-recurring items.

(d) Reconciliation

The APMs and their reconciliations to the measures reported in the consolidated statement of profit or loss are as follows:

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Profit attributable to equity holders of the Company	114,213	280,831
<i>Adjusted for:</i>		
Transaction related costs (Note 5 & 11)*	6,957	19,957
Share of results of investees disposed of, net of amortization (Note 11)**	-	(14,493)
Gain on disposal of associates	-	(202,881)
Goodwill impairment (Note 10)	-	19,961
Gain on derivative instrument (Note 6)	(3,568)	-
Other one-off non-recurring items	(200)	-
Adjusted profit attributable to equity holders of the Company	117,402	103,375



30 ALTERNATIVE PERFORMANCE MEASURES (continued)

	2022 AED'000	2021 AED'000
Adjusted profit attributable to equity holders of the Company	117,402	103,375
<i>Add/(deduct):</i>		
Finance costs***	27,070	16,026
Finance income	(13,152)	(5,429)
Zakat, net of share of NCI	260	-
Adjusted operating profit attributable to equity holders of the Company	131,580	113,972
<i>Add/(deduct):</i>		
Transaction related costs (Note 5 & 11)	(6,957)	(19,957)
Share of results of investees disposed of, net of amortization (Note 11)	-	14,493
Gain on disposal of associates	-	202,881
Goodwill impairment (Note 10)	-	(19,961)
Finance cost attributable to NCI	2,923	2,171
Non-controlling interests (Note 27)	(2,491)	(7,691)
Gain on derivative instrument (Note 6)	3,568	-
One-off non-recurring items	200	-
Zakat attributable to NCI	175	-
OPERATING PROFIT	128,998	285,908
<i>Add/(deduct):</i>		
Transaction related costs (Note 5 & 11)	6,957	19,957
Share of results of investees disposed of, net of amortization (Note 11)	-	(14,493)
Gain on disposal of associates	-	(202,881)
Goodwill impairment (Note 10)	-	19,961
Depreciation and amortization	56,373	41,256
Purchase price amortisation of associates	3,000	3,000
Gain on derivative instrument (Note 6)	(3,568)	-
One-off non-recurring items	(200)	-
Adjusted earnings before interest, tax, depreciation and amortization	191,560	152,708

* Transaction related costs also include transaction costs of AED 1,697 thousand (2021: Nil) in relation to the acquisition of a 100% stake in LIWA College of Technology by NEMA Holding (Note 11). In the prior year transaction costs include AED 17,000 thousand of employee compensation and other related expenses

** Results of associates disposed of in the year ended 31 December 2021

*** Finance costs exclude share of non-controlling interests of AED 2,923 thousand (2021: AED 2,171 thousand)

31 SUBSEQUENT EVENTS

On 20 December 2022, the Company announced the acquisition of a majority stake in Sukoon International Holding Company CJSC ("Sukoon") through a merger with CMRC Limited ("CMRC") via a non-cash share swap, whereby the shareholders of Sukoon will receive c.15% of Amanat's shares in HC Investments 1 Holdings Limited, the immediate parent company of CMRC Limited, in return for the Company receiving additional shares in Sukoon. The Company has received General Authority for Competition in the Kingdom of Saudi Arabia's approval on the transaction. The transaction is expected to complete in Q1 2023 following Ministry of Health license approval.





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