DAR AL SHIFA MEDICAL CENTRE LLC
ABU DHABI

Annual report and financial statements
Year ended March 31, 2020

Contents

Directors' report

The Directors have pleasure in submitting their annual report and financial statements of the Company for the year ended March 31, 2020.

Activities

The principal activity of the Company continues to be provision of medical services.

Financial position

During the year, the Company achieved a turnover of AED 4,620,551 as compared to AED 4,763,769 in the previous year. The net assets of the Company at year end amounted to AED 562,047 (2019: AED 1,568,136).

Auditors

A resolution to reappoint BDO Chartered Accountants & Advisors, as the auditors for the ensuing year, will be put to the members at the Annual General Meeting.

For and behalf of the Board of Directors

Alisha Moopen

Alisha Moopen
June 22, 2020

هاتف : ٦٦٦٦ ٥١٨ ٤ ٩٧١+
فاكس : ٠١٥١ ٢٢٧ ٤ ٩٧١+

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dar Al Shifa Medical Centre LLC, Abu Dhabi

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dar Al Shifa Medical Centre LLC, Abu Dhabi ("the Company") which comprise the statement of financial position as at March 31, 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

This section of our auditor's report is intended to describe the matters selected from those communicated with management that, in our professional judgement, were of most significance in our audit of the financial statements. We have determined that there are no such matters to report based on our audit.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and their presentation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT ***(Continued)***

To the Shareholders of Dar Al Shifa Medical Centre LLC, Abu Dhabi ***(Continued)***

Report on the Audit of the Financial Statements ***(Continued)***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

To the Shareholders of Dar Al Shifa Medical Centre LLC, Abu Dhabi *(Continued)*

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the books of account of the Company;
- note 10 to the financial statements discloses material related party transactions and balances, and the arrangements in this regard;
- and 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 March 31, 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at March 31, 2020.

BDO CHARTERED ACCOUNTANTS & ADVISORS

Mohamed Afzal Koya Ali

Reg. No. 522

June 22, 2020

Dubai

DAR AL SHIFA MEDICAL CENTRE LLC, ABU DHABI

Statement of financial position at March 31, 2020

	Note	AED	2019 AED
Non-current assets			
Property and equipment	7	336,910	287,606
Goodwill		900,000	900,000
Total non current assets		1,236,910	1,187,606
Current assets			
Inventories	8	34,953	40,118
Trade and other receivables	9	3,388,689	3,557,023
Due from related parties	10	654,547	428,828
Bank balances and cash	11	8,410	12,632
Total current assets		4,086,599	4,038,601
Current liabilities			
Trade and other payables	12	1,132,885	793,861
Due to related parties	10	3,362,095	2,704,923
Total current liabilities		4,494,980	3,498,784
Net current (liabilities) / assets		(408,381)	539,817
Non-current liabilities			
Provision for employees' end of service benefits	13	266,482	159,287
Net assets		562,047	1,568,136
Equity			
Share capital	14	300,000	300,000
Legal reserve	15	150,000	150,000
Shareholders' accounts		700,000	700,000
Shareholders' loan accounts		900,000	900,000
Accumulated deficit		(1,487,953)	(481,864)
Total equity		562,047	1,568,136

The financial statements have been approved by the Board of Directors on June 22, 2020 and are signed on its behalf by:

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Alisha Moopen

The notes on pages 9 to 25 form part of these financial statements

Statement of profit or loss and other comprehensive income for the year ended March 31, 2020

	Note		2019
		AED	AED
Revenue		4,620,551	4,763,769
Direct costs		(3,455,362)	(3,330,178)
Gross profit		1,165,189	1,433,591
Other income	16	259,235	270,827
Administration and general expenses	17	(2,198,542)	(2,220,543)
Management fees	18	(180,000)	(180,000)
Depreciation on property and equipment	7	(51,971)	(64,281)
Total profit or loss and other comprehensive income for the year		(1,006,089)	(760,406)

The notes on pages 9 to 25 form part of these financial statements

Statement of changes in equity for the year ended March 31, 2020

	Share capital	Legal reserve	Shareholders' accounts	Shareholders' loan accounts	Accumulated deficit	Total equity
	AED	AED	AED	AED	AED	AED
Balance at April 1, 2018	300,000	150,000	700,000	900,000	278,542	2,328,542
Total comprehensive income for the year	-	-	-	-	(760,406)	(760,406)
Balance at March 31, 2019	300,000	150,000	700,000	900,000	(481,864)	1,568,136
Total comprehensive income for the year	-	-	-	-	(1,006,089)	(1,006,089)
Balance at March 31, 2020	300,000	150,000	700,000	900,000	(1,487,953)	562,047

The notes on pages 9 to 25 form part of these financial statements

Statement of cash flows for the year ended March 31, 2020

			2019
Cash flows from operating activities	Note	AED	AED
Net loss for the year		(1,006,089)	(760,406)
Adjustments for:			
Depreciation on property and equipment	7	51,971	64,281
Provision for bad and doubtful debts	9	115,759	123,735
Provision for employees' end of service benefits	13	262,032	108,323
Operating loss before working capital changes		(576,327)	(464,067)
Decrease in inventories	8	5,165	2,729
Decrease/(increase) in trade and other receivables	9	52,575	(342,159)
(Increase)/decrease in due from related parties	10	(225,719)	1,062,027
Increase in trade and other payables	12	339,024	436,717
Increase/(decrease) in due to related parties	10	657,172	(505,897)
Cash generated from operations		251,890	189,350
Employees end of service benefits paid	13	(154,837)	(170,389)
Net cash generated from operating activities		97,053	18,961
Cash flows from investing activities			
Purchase of property and equipment	7	(101,275)	(13,035)
Net cash used in investing activities		(101,275)	(13,035)
Net (decrease)/increase in cash and cash equivalents		(4,222)	5,926
Cash and cash equivalents at beginning of the year		12,632	6,706
Cash and cash equivalents at end of the year	11	8,410	12,632

1 Status and activity

Dar Al Shifa Medical Centre LLC, Abu Dhabi ("the Company") is a limited liability company incorporated in the Emirate of Dubai under UAE Commercial Companies Law No. (2) of 2015. The principal place of business of the Company is located at Abu Dhabi.

The Company is controlled by Aster DM Healthcare FZC ("the ultimate Holding Company"), a Free Zone Company registered with limited liability under the Implementing Rules and Regulations issued by the Hamriyah Free Zone Authority pursuant to Sharjah Emiri Decree No. (6) of 1995 (as amended).

The principal activity of the Company includes provision of medical services.

The financial statements for the year ended March 31, 2020 were authorised for issue by the Board of Directors on June 22, 2020.

These financial statements are presented in UAE Dirhams (AED).

2 Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs). These financial statements are also in compliance with the UAE Federal Law No. (2) of 2015.

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

(a) New standards, interpretations and amendments effective from January 1, 2019

New standards impacting the Company that will be adopted in the financial statements for the year ended March 31, 2020, and which have given rise to changes in the Company's accounting policy is:

- IFRS 16 Leases

Details of the impact that this standard has is given in Note 4 below. Following other new and amended standards and interpretations issued by the IASB that are also effective from 1 January 2020, are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

- IFRS 9 (2014) Financial Instruments (Amendment – Prepayment Features with Negative Compensation and Modification of Financial Liabilities)
- IAS 28 Investments in Joint Ventures (Amendment – Long term Interests in Associates and Joint Ventures)
- Annual Improvements to IFRSs 2015 – 2018 Cycle (IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes, IAS 23 Borrowing costs)
- IAS 19 Employee Benefits (Amendment – Plan Amendment, Curtailment or Settlement)
- IFRIC 23 Uncertainty over Income Tax Treatments

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning January 1, 2020:

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

b) New standards, interpretations and amendments not yet effective (Continued)

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies Changes in Accounting Estimates and Errors – Effective from January 1, 2020

  The IASB has made amendments to IAS 1 and IAS 8 which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies Changes in Accounting Estimates and Errors – Effective from January 1, 2020 (Continued)

  In particular, the amendments clarify:

  – that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole.

  – the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- Revised Conceptual Framework for Financial Reporting – Effective from January 1, 2020

  The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

  – increasing the prominence of stewardship in the objective of financial reporting

  – reinstating prudence as a component of neutrality

  – defining a reporting entity, which may be a legal entity, or a portion of an entity

  – revising the definitions of an asset and a liability

  – removing the probability threshold for recognition and adding guidance on derecognition adding guidance on different measurement basis, and

  – stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, the Company relies on the Framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards and will need to apply the revised Framework from January 1, 2020. The Company will need to consider whether its accounting policies are still appropriate under the revised Framework.

The Company is currently assessing the impact of these new accounting standards and amendments.

4 Effect of change in accounting policy

The Company adopted IFRS 16 Leases with a transition date of 1 January 2019. The Company has performed assessment on IFRS 16 and concluded that there is no amendment to the lease contract from the previous year. The lease is considered as short term lease as it may not be renewed. Hence, the Company has elected the exemption allowed under the IFRS 16 and there are no restatement of the comparatives on adoption of the new standard.

5 Significant accounting policies

The significant accounting policies adopted by the Company are as follows:

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the expenditure that is directly attributable to the acquisition of the assets.

The cost of replacing a part of property and equipment is recognized in the carrying amount of the items if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The routine servicing of the property and equipment are recognized in the statement of comprehensive income.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an items of property and equipment is determined as the difference between the sales proceeds and the carrying value of the assets and it is recognised in the statement of profit or loss and other comprehensive income.

Depreciation

Depreciation is provided consistently on the straight line basis so as to write off the cost of property and equipment over their estimated useful lives as follows:

Interior decorations	10 Years
Medical equipment	13 Years
Office equipment	5 Years
Computers	5 Years
Furniture and fixtures	5 Years
Motor vehicles	5 Years

Goodwill

Goodwill represents the excess of the cost of acquisition over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business acquired recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses..

Inventories

Inventories are stated at lower of cost and net realisable value. Cost of inventory is determined on the basis of weighted average cost principle and includes all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is based on the normal selling price, less cost expected to be incurred on disposal.

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

These financial assets are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

5 Significant accounting policies (Continued)

Financial assets (Continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition of issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the statement of comprehensive income. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those, where credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company’s financial assets measured at amortised cost comprise trade and other receivables, due from related parties and cash and cash equivalents in the statement of financial position.

Fair value through other comprehensive income

These financial assets are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

The Company does not have any investments or financial assets which are designated at fair value through other comprehensive income.

Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalent includes cash and bank balances which are free from encumbrances.

5 Significant accounting policies (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Company's accounting policy for each category is as follows:

Fair value through profit or loss

These financial liabilities are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not have any liabilities held for trading nor has it designated any financial liabilities at being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include trade and other payables, due to related parties and other short term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Impairment of property and equipment

Property and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

Provisions

Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Employees' end of service benefits

Provision is made for employees' end of service benefits on the basis prescribed in the UAE Labour Law, for the accumulated period of service at the date of statement of financial position.

5 Significant accounting policies (Continued)

Revenue recognition

Performance obligations and timing of revenue recognition

The Company's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to customer. This is generally when the goods are delivered to the customer. There is limited judgment needed in identifying the point when control passes: once physical delivery of the goods to the agreed location has occurred, the Company no longer has physical possession, usually will have a right to payment (as a single payment on delivery) and retains none of the significant risk and rewards of the goods in question.

Transaction price

Most of the Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of performance obligations).

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Board of Directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Value added tax

VAT asset is recorded in the financial statements of the Company based on the requirements of the regulations as defined by the Federal Tax Authority (FTA).

Expenses and assets are recognized 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 in the financial statements.

5 Significant accounting policies (Continued)

Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;

(b) The Company obtains substantially all the economic benefits from use of the asset; and

(c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for termination the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

5 Significant accounting policies (Continued)

Leases (Continued)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractuals terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension of the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-us asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and the right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

6 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 5, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

6 Critical accounting judgments and key sources of estimation uncertainty (Continued)

Useful life of property and equipment

Property and equipment is depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear which are dependent on operational factors. Management has not considered any residual value as it is deemed immaterial.

Impairment of property and equipment

The Company reviews its property and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recorded in the statement of profit or loss and other comprehensive income, the Company makes judgment as to whether there is any observable data indicating that there is a reduction in the carrying value of property, equipment and intangible assets. Accordingly, provision for impairment is made when there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, equipment and intangible assets.

Impairment of goodwill

The Company test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or poor operating results. Determining whether an impairment has occurred requires valuation, which Company estimate using a discounted cash flow method In applying this methodology, the Company rely on a number of factors, including actual results, future business plans, projections and economic conditions.

Satisfaction of performance obligations

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Company has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Company recognises revenue on the basis of point in time.

Inventories

Inventories are stated at the lower of cost or net realisable value. Adjustments are made to reduce the cost of inventory to its realisable value, if required, for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, quality issues and expired products. Revisions to these adjustments would be required if these factors differ from the estimates.

Impairment of trade receivable

The Company uses a provision matrix to calculate Expected Credit Losses (ECLs) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography and customer type).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward looking information. For instance, if forecast economic conditions (i.e. gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the healthcare sector, 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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

6 Critical accounting judgments and key sources of estimation uncertainty (Continued)

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Determining the incremental borrowing rate

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Company, which does not have recent third party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

7 Property and equipment

Movements in property and equipment are given on page 25.

8 Inventories

Inventories amounting to AED 34,953 (2019 : AED 40,118) comprise goods held for medical services. The cost of inventories recognised as expense amounted to AED 178,581 (2019: AED 209,866).

9 Trade and other receivables

		2019
	AED	AED
Trade receivables	3,677,983	3,853,899
Allowance for doubtful debts	(840,752)	(724,993)
Trade receivables (net)	2,837,231	3,128,906
Deposits	31,166	77,000
Advances	34,751	18,454
Trade and other receivables	2,903,148	3,224,360
Add : Prepayments	485,541	332,663
Total trade and other receivable	3,388,689	3,557,023

Trade receivables which are classified as amortised cost financial assets approximates to their fair value.

No interest is charged on trade receivables outstanding for more than the credit period. The Company does not hold any collateral over its receivables nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

9 Trade and other receivables (Continued)

The Company applies IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Company's historical credit losses experienced over the 5 years period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the Gross Domestic Product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Company operates.

2020	1-365 days past due	More than 365 days past due	Total
Expected loss rate	17.5%	100%	
Gross carrying amount	3,441,881	236,102	3,677,983
Loss provision	604,650	236,102	840,752

2019	1-365 days past due	More than 365 days past due	Total
Expected loss rate	5%	100%	
Gross carrying amount	2,657,330	583,879	3,241,209
Loss provision	141,114	583,879	724,993

As at March 31, 2020, trade receivables of AED 236,102 (2019: AED 583,879) had lifetime expected credit losses of the full value of trade receivables (specific provision). These balances which are more than 365 days past due and the Company has uncertainty over the recoverability of these outstanding balances.

Movement in allowance for doubtful debts is as under:

		2019
	AED	AED
Beginning balance	724,993	543,671
Provision during the year	115,759	187,477
Written off from allowance	-	(6,155)
	840,752	724,993

10 Related party disclosures

Related parties include the ultimate Holding Company, shareholders, key management personnel, associates, joint ventures and any businesses that are controlled directly or indirectly by the Holding company or over which it exercises significant management influence. The balances due from/to such parties, which have been disclosed separately in the financial statements, are unsecured, interest free and repayable on demand.

10 Related party disclosures (Continued)

The significant related party transactions during the year are as follows:

		2019
	AED	AED
Other related parties		
- Management fee paid	180,000	180,000
- Purchases	173,415	190,247
- Sales	-	147,884
- Other income (refer to Note 16)	259,235	270,827
- Outlab expenses	31,893	92,470

Related party balances are as follows:

		2019
	AED	AED
Payables :		
- Other related parties	3,362,095	2,704,923
- Loan from shareholder	900,000	900,000
Receivables :		
- Other related parties	654,547	428,828

* Loan from shareholder included in equity is unsecured, interest free, has no repayment terms and is repayable upon winding up of the Company.

11 Bank balances and cash

		2019
	AED	AED
Cash on hand	4,218	11,323
Current accounts with banks	4,192	1,309
	8,410	12,632

12 Trade and other payables

		2019
	AED	AED
Trade payables	669,569	590,041
Accruals and other payables	463,316	203,820
	1,132,885	793,861

The Company has financial risk management policies in place to ensure that payables are paid within the credit time frame. The trade & other payables which are classified as financial liabilities measure at amortized cost approximate fair value.

13 Provision for employees' end of service benefits

The movement in the employees' end of service benefits provision during the year is as follows.

		2019
	AED	AED
Opening balance	159,287	221,353
Provision made during the year	262,032	108,323
Payment made during the year	(154,837)	(170,389)
Closing balance	266,482	159,287

14 Share capital

		2019
	AED	AED
Authorised, issued and paid up capital:		
300 shares of AED 1,000 each	300,000	300,000

15 Legal reserve

The legal reserve is created by the Company by allocating 10 percent of its net profit for the year in accordance with Article 103 of the UAE Federal Law No. (2) of 2015 and this transfer has to continue till the reserve reaches 50% of the paid up share capital. The Company has resolved to discontinue such annual transfers as the reserve totals to 50% of the issued share capital and therefore, no transfer of profit to the legal reserve has been made during the year. The legal reserve is not available for distribution except as provided in the law.

16 Other income

Other income represent the referral commission earned from a related party for the laboratory procedures. A certain percentage set by the management is the basis of the amount.

17 Administration and general expenses

		2019
	AED	AED
Staff salaries and benefits	1,371,502	1,389,230
Rent & license fees	374,364	353,078
Visa and Immigration	44,324	48,771
Water and electricity	24,736	24,116
Communications	28,619	42,673
Advertisement and sales promotion	33,876	25,521
Provision for bad and doubtful debts	115,759	123,735
Legal & professional fees	27,872	35,835
Insurance	1,055	880
Repairs & maintenance	11,745	29,247
Other	164,690	147,457
	2,198,542	2,220,543

18 Management fees

The management fee is paid to DM Healthcare LLC for managing the day to day operations of the Company. Management fees are charged to fixed fee based on agreed terms.

19 Financial instruments - risk management

The Company is exposed through its operations to the following financial risks.

Capital risk management

The capital is managed by the Company in a way that it is able to continue as a going concern while maximising returns to investors.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising of issued capital, reserves, loan from shareholder and shareholder's current account.

As a risk management policy, the Company reviews its cost of capital and risks associated with capital. The Company balances its capital structure based on the above review and based on support from related parties.

Market risk management

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

The Company is not exposed to the financial risks of changes in foreign currency exchange rates (currency risk) and interest rates (interest rate risk).

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of charges in foreign exchange rates. The Company's exposure to currency risk is minimum as majority of the transactions are conducted in the Company's functional currency.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is potentially exposed to concentration of credit risk from its financial assets which comprise principally cash and bank balances, trade and other receivables and amounts due from related parties. The Company’s bank accounts are placed with high credit quality financial institutions. the credit risk on trade receivables and related parties is subjected to credit evaluations and an allowance has been made for estimated irrecoverable amounts.

Liquidity risk management

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company has built an appropriate liquidity risk management framework for the management of its short, medium and long term funding and liquidity requirements. The Company manages liquidity risk by monitoring forecast and actual cashflows and support from related parties.

19 Financial instruments - risk management (Continued)

Financial instruments by category

The carrying amounts for each class of financial instrument are listed below:

		2019
	AED	AED
Financial assets		
Amortised cost		
- Trade and other receivables	2,868,397	3,205,906
- Due from related parties	654,547	428,828
- Bank balances and cash	8,410	12,632
Financial Liabilities		
Other financial liabilities		
- Trade and other payables	1,132,885	793,861
- Due to related parties	3,362,095	2,704,923

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and due to/from related parties. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and due to/from related parties approximates their fair value.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 March 2020	Upto 3 months	Between 3-12 months	Over 1 year
	AED		AED
Trade and other payables	1,132,885	-	-
Due to related parties	3,362,096	-	-

At 31 March 2019	Up to 3 months	Between 3-12 months	Over 1 Year
	AED		AED
Trade and other payables	793,861	-	-
Due to related parties	2,704,923	-	-

20 Contingent liabilities

There are no material contingent liabilities at the date of statement of financial position.

21 Comparative figures

Previous year's figures which were not material have been regrouped or reclassified wherever necessary to make them comparable to those of the current year.

Schedule of property and equipment

	Interior decorations	Medical equipment	Office equipments	Computers	Furniture and fixtures	Motor vehicles	Total
Cost	AED	AED	AED	AED	AED	AED	AED
At April 1, 2018	361,862	951,548	88,224	140,240	108,599	7,050	1,657,523
Additions	4,200	385	6,700	570	1,180	-	13,035
At March 31, 2019	366,062	951,933	94,924	140,810	109,779	7,050	1,670,558
Additions	99,145	1,250	-	-	880	-	101,275
At March 31, 2020	465,207	953,183	94,924	140,810	110,659	7,050	1,771,833
Depreciation							
At April 1, 2018	321,424	717,171	78,203	100,667	94,156	7,050	1,318,671
Charge for the year	10,301	21,885	8,120	17,803	6,172	-	64,281
At March 31, 2019	331,725	739,056	86,323	118,470	100,328	7,050	1,382,952
Charge for the year	8,590	21,977	2,820	13,033	5,551	-	51,971
At March 31, 2020	340,315	761,033	89,143	131,503	105,879	7,050	1,434,923
Net book value							
At March 31, 2020	124,892	192,150	5,781	9,307	4,780	-	336,910
At March 31, 2019	34,337	212,877	8,601	22,340	9,451	-	287,606