

**Aster DM Healthcare FZC  
and its subsidiaries**

Consolidated financial statements  
*31 March 2018*

# Aster DM Healthcare FZC and its subsidiaries

## Consolidated financial statements

31 March 2018

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## **Independent Auditors' Report**

To the Shareholders of Aster DM Healthcare FZC

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

#### **Opinion**

We have audited the consolidated financial statements of Aster DM Healthcare FZC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with applicable provision of Hamriyah Free Zone Implementing Rules and Regulations issued pursuant to Sharjah Emiri Decree No (6) of 1995 as amended by Sharjah Executive Council Resolution No. (1) of 2000 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.



*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)*

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

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements  
(continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

**Report on Other Legal and Regulatory Requirements**

We further report that the consolidated financial statements, in all material respects, have been properly prepared in accordance with the Hamriyah Free Zone Implementing Rules and Regulations concerning the Incorporation of Free Zone Companies at Hamriyah Free Zone issued pursuant to Sharjah Emiri Decree No (6) of 1995 as amended by Sharjah Executive Council Resolution No. (1) of 2000.

KPMG Lower Gulf Limited

Richard Ackland  
Registration No.: 1015  
Sharjah, United Arab Emirates

Date: **26 SEP 2018**

## Aster DM Healthcare FZC and its subsidiaries

### Consolidated statement of financial position

as at 31 March 2018

	Note	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>Non-current assets</b>			
Property, plant and equipment	12	843,484,481	701,330,084
Intangible assets and goodwill	13	227,338,026	181,879,818
Long-term portion of prepayments	15	27,345,565	17,940,969
Equity accounted investees	17	25,140,273	24,782,941
Derivative financial assets	27	3,383,103	-
		<b>1,126,691,448</b>	<b>925,933,812</b>
<b>Current assets</b>			
Inventories	14	336,457,858	277,769,644
Trade and other receivables	15	1,049,967,642	1,054,719,372
Bank balances and cash	16	70,705,709	68,681,911
Due from related parties	25	265,801,916	158,324,205
		<b>1,722,933,125</b>	<b>1,559,495,132</b>
<b>Current liabilities</b>			
Trade and other payables	18	739,093,963	650,387,859
Current tax liabilities		9,565,354	1,579,434
Dividend payable	20	3,811,875	12,931,035
Bank borrowings	21	371,824,781	420,426,070
Due to related parties	25	31,134,745	34,835,335
		<b>1,155,430,718</b>	<b>1,120,159,733</b>
<b>Net current assets</b>		<b>567,502,407</b>	<b>439,335,399</b>
<b>Non-current liabilities</b>			
Bank borrowings	21	757,051,251	635,822,317
Provision for employees' end of services benefits	22	120,012,000	105,513,772
		<b>877,063,251</b>	<b>741,336,089</b>
<b>Net assets</b>		<b>817,130,604</b>	<b>623,933,122</b>
<b>Represented by:</b>			
Share capital	23	1,024,191,000	1,024,191,000
Legal reserve	24	24,901,540	24,925,324
Accumulated losses		(295,808,728)	(490,755,009)
Other components of equity		(1,748,371)	(5,624,100)
<b>Equity attributable to equity holders of the Holding Company</b>		<b>751,535,441</b>	<b>552,737,215</b>
Non-Controlling Interests (NCI)		65,595,163	71,195,907
<b>Total equity</b>		<b>817,130,604</b>	<b>623,933,122</b>

Notes on pages 8 to 47 form part of these consolidated financial statements

These consolidated financial statements were approved on behalf of the Board of Directors on **26 SEP 2018**

  
Dr. Azad Moopen  
Chairman

Independent auditors' report is set out on pages 1 to 3.

**Aster DM Healthcare FZC and its subsidiaries**  
**Consolidated statement of profit or loss and other comprehensive income**  
*for the year ended 31 March 2018*

	<i>Note</i>	<b>Year ended 31 March 2018 AED</b>	<b>Year ended 31 March 2017 AED</b>
Revenue	7 (a)	3,172,949,490	2,732,661,812
Direct costs	8	<u>(1,676,281,212)</u>	<u>(1,458,378,121)</u>
Gross profit		1,496,668,278	1,274,283,691
Pre-operative expenses written-off		(9,072,356)	(6,495,177)
Allowance for impairment of trade receivables and unbilled revenue	27 (c)	(61,093,575)	(200,869,172)
Administration, selling and general expenses, other than finance costs, zakat, income tax expense, depreciation, amortization and impairment of intangible assets and goodwill	9	(1,117,143,382)	(983,478,382)
Unrealised profit on derivative financial instrument	27	3,383,103	+
Share of profit/ (loss) from equity-accounted investees	17	103,888	(72,506)
Depreciation, amortization and impairment of intangible assets and goodwill	10	(116,073,845)	(126,742,233)
Zakat charge and income tax expenses	19	(7,609,386)	(4,859,005)
Finance costs	11	(74,976,362)	(67,321,582)
Other income	7 (b)	<u>83,756,043</u>	<u>131,370,886</u>
<b>Net profit for the year</b>		<b><u>197,942,406</u></b>	<b><u>15,816,520</u></b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of net defined benefit liability, net of tax	22	4,620,000	(3,117,000)
<b>Total comprehensive income for the year</b>		<b><u>202,562,406</u></b>	<b><u>12,699,520</u></b>
<b>Net profit attributable to:</b>			
Owners of the Company		194,640,226	18,471,421
Non-Controlling Interests (NCI)		<u>3,302,180</u>	<u>(2,654,901)</u>
		<b>197,942,406</b>	<b>15,816,520</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		198,798,226	15,666,121
Non-Controlling Interests (NCI)		<u>3,764,180</u>	<u>(2,966,601)</u>
<b>Total comprehensive income for the year</b>		<b><u>202,562,406</u></b>	<b><u>12,699,520</u></b>

Notes on pages 8 to 47 form part of these consolidated financial statements.

Independent auditors' report is set out on pages 1 to 3.

## Aster DM Healthcare FZC and its subsidiaries

### Consolidated statement of changes in equity

for the year ended 31 March 2018

	Attributable to Owners of the Company				Amounts in AED		
	Share capital	Legal reserve	Retained earnings	Other components of equity	Total	Non controlling interests (NCI)	Total equity
<b>At 1 April 2016 (restated) (refer note 3.6)</b>	1,024,191,000	24,374,973	(508,676,079)	(2,818,800)	537,071,094	55,347,508	592,418,602
<b>Net profit for the year</b>	-	-	18,471,421	-	18,471,421	(2,654,901)	15,816,520
<b>Transactions with Owners, recorded directly in equity</b>							
Transfer to legal reserve (refer note 24)	-	550,351	(550,351)	-	-	-	-
Dividend by subsidiaries to NCI (refer note 20)	-	-	-	-	-	(3,185,000)	(3,185,000)
Remeasurement of net defined benefit liability (refer notes 22 and 4.10)	-	-	-	(2,805,300)	(2,805,300)	(311,700)	(3,117,000)
<b>Change in ownership interests in subsidiaries</b>							
Acquisition of subsidiary with NCI (refer note 2 (iii))	-	-	-	-	-	22,000,000	22,000,000
<b>At 31 March 2017</b>	<b>1,024,191,000</b>	<b>24,925,324</b>	<b>(490,755,009)</b>	<b>(5,624,100)</b>	<b>552,737,215</b>	<b>71,195,907</b>	<b>623,933,122</b>
<b>At 1 April 2017</b>	1,024,191,000	24,925,324	(490,755,009)	(5,624,100)	552,737,215	71,195,907	623,933,122
<b>Net profit for the year</b>	-	-	194,640,226	-	194,640,226	3,302,180	197,942,406
<b>Transactions with Owners, recorded directly in equity</b>							
Adjustments on account of winding up of subsidiaries (refer note 29)	-	(23,784)	306,055	(282,271)	-	-	-
Dividend by subsidiaries to NCI (refer note 20)	-	-	-	-	-	(10,511,524)	(10,511,524)
Remeasurement of net defined benefit liability (refer note 22)	-	-	-	4,158,000	4,158,000	462,000	4,620,000
<b>Change in ownership interests in subsidiaries</b>							
Acquisition of subsidiary with NCI (refer note 2 (ii))	-	-	-	-	-	1,146,600	1,146,600
<b>At 31 March 2018</b>	<b>1,024,191,000</b>	<b>24,901,540</b>	<b>(295,808,728)</b>	<b>(1,748,371)</b>	<b>751,535,441</b>	<b>65,595,163</b>	<b>817,130,604</b>

Notes on pages 8 to 47 form part of these consolidated financial statements

Independent auditors' report is set out on pages 1 to 3.



## Aster DM Healthcare FZC and its subsidiaries

### Consolidated statement of cash flows

for the year ended 31 March 2018

	Year ended 31 March 2018 AED	Year ended 31 March 2017 AED
<b>Cash flows from operating activities</b>		
Profit before tax	205,551,792	20,675,525
<b>Adjustments for:</b>		
Depreciation of tangible assets and amortization of intangible assets	116,073,845	126,742,233
Allowance for impairment of trade receivables and unbilled revenue	61,093,575	200,869,172
Provision for employees' end of service benefits, net	19,118,228	14,926,772
Unrealised profit on derivative financial instrument	(3,383,103)	-
Share of profit/ (loss) from equity-accounted investees	(103,888)	72,506
Loss on disposal of property plant & equipment	4,744,577	-
Finance costs	74,976,362	67,321,582
Pre-operative expenses written-off	9,072,356	6,495,177
Operating profit before working capital changes	<u>487,143,744</u>	<u>437,102,967</u>
Changes in:		
- inventories	(58,688,214)	(64,557,822)
- trade and other receivables	(72,379,628)	(148,941,780)
- due from related parties	(107,477,711)	(125,113,041)
- trade and other payables	80,585,927	(65,780,984)
- due to related parties	(3,700,590)	28,304,807
<b>Cash generated from operating activities</b>	<b>325,483,528</b>	<b>61,014,147</b>
Income taxes paid	(10,632,333)	(16,087,971)
<b>Net cash generated from operating activities</b>	<b>314,851,195</b>	<b>44,926,176</b>
<b>Cash flows from investing activities</b>		
Acquisition and additions of property, plant and equipment	(254,130,017)	(277,550,001)
Acquisition and additions of intangible assets	(33,586,618)	(608,574)
Acquisition of subsidiary, net of cash and cash equivalents acquired	(18,631,361)	(36,700,000)
Proceeds from sale of property, plant and equipment	-	424,524
<b>Net cash used in investing activities</b>	<b>(306,347,996)</b>	<b>(314,434,051)</b>
<b>Cash flows from financing activities</b>		
Bank borrowings	136,496,805	266,897,274
Finance charges paid	(74,976,362)	(67,321,582)
Dividend paid to NCI by subsidiaries	(19,630,684)	(70,836,100)
<b>Net cash generated from financing activities</b>	<b>41,889,759</b>	<b>128,739,592</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>50,392,958</b>	<b>(140,768,283)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(285,161,756)</b>	<b>(144,393,473)</b>
<b>Cash and cash equivalents at end of the year (refer note 16)</b>	<b>(234,768,798)</b>	<b>(285,161,756)</b>

Notes on pages 8 to 47 form part of these consolidated financial statements.

Independent auditors' report is set out on pages 1 to 3.

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements

### 1. Reporting entity

Aster DM Healthcare FZC ('the Company' or 'the Holding Company') is domiciled in Sharjah, United Arab Emirates ('UAE'). The Company's registered office is at Hamriyah Free Zone, Sharjah, UAE. The consolidated financial statements for the year ended 31 March 2018 comprises financial statements of the Company and its subsidiaries and associates (together referred to as "the Group" and individually as "the Group entities"). For the list of subsidiaries and associates, refer to note 29.

Affinity Holdings Private Limited, Mauritius, is the Parent Company and Union Investment Private Limited, Mauritius is the Ultimate Parent Company.

The Group is primarily involved in the operation of the healthcare facilities, retail pharmacies and in providing consultancy in areas related to healthcare.

### 2. Acquisition of hospitals, clinics and pharmacies

As part of the expansion of the business, the Group has acquired the following businesses over the years which has resulted in the recognition of goodwill as below:

#### Acquisitions in the financial year 2018

##### (i) Acquisition of Harley Street Dental Centre LLC ('Harley Dental')

On 1 October 2017, the Group entered into a share purchase agreement to acquire 50% shares in Harley Street Dental Centre LLC ('Harley Dental') through its subsidiaries.

Harley Dental is in the business of running a dental clinic. The total consideration agreed and paid is AED 1 Million. The acquisition was expected to provide the Group with an increased market share in the dental sector.

The acquisition of the Harley Dental resulted in the recognition of goodwill as follows:

<b>Identifiable assets acquired and liabilities</b>	<b>Amount (AED)</b> <b>(Fair value)</b>
Property, plant and equipment (Note 12)	1,194,600
Net current assets	366,359
Less: liabilities	(3,375,600)
<b>Net liabilities acquired</b>	<b>(1,814,641)</b>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 2. Acquisition of hospitals, clinics and pharmacies (continued)

#### Acquisitions in the financial year 2018 (continued)

##### (i) Acquisition of Harley Street Dental Centre LLC ('Harley Dental') (continued)

(Amount in AED)

Goodwill recognized as a result of the acquisition:	
Purchase consideration	1,000,000
Fair value of NCI	1,146,600
Add: Net liabilities acquired (refer above)	1,814,641
<b>Goodwill recognised on acquisition</b>	<b>3,961,241</b>

##### (ii) Acquisition of pharmacies (Al Hayat Pharmacy, Al Ola Pharmacy LLC and Mankhool Pharmacy LLC)

During the year ended 31 March 2018, the Group acquired standalone pharmacy outlets based in Dubai, UAE for a total consideration of AED 17,741,861. Upon acquisition, these entities were converted to a branch of Aster Pharmacies Group LLC, a subsidiary of the Company. The total goodwill recognised on acquisition amounts to AED 15,558,551.

#### Acquisitions prior to financial year 2018

##### (iii) Acquisition of Harley Street Medical Center LLC, Harley Street Pharmacy LLC & Harley Street LLC ('the Harley Group')

On 28 July 2016, the Group entered into a Share Purchase Agreement to acquire 60% voting shares in Harley Street Pharmacy LLC, Harley Street LLC and Harley Street Medical Center LLC, giving it control over the Harley Group. The Harley Group is engaged in the business of running clinic, pharmacy and other healthcare services. Upon transfer of control, the Group owned economic and beneficial interest in 60% of the net worth and profit/(loss) of the Harley Group. The total consideration agreed and paid was AED 42 million. The acquisition was expected to provide the Group with an increased market share in the medical and healthcare sector through access to the subsidiary's customer base.

The acquisition of the Harley Group resulted in the recognition of goodwill as follows:

<b>Identifiable assets acquired and liabilities</b>	<b>(Amount in AED)</b>
	<b>(Fair value)</b>
Property, plant and equipment (Note 12)	25,747,146
Intangible assets on acquisition	10,100,000
Net current assets	6,462,712
Less: liabilities	(15,500,000)
<b>Net assets acquired</b>	<b>26,809,858</b>
Goodwill recognized as a result of the acquisition:	
Purchase consideration	42,000,000
Fair value of NCI	22,000,000
Less: Net assets acquired (refer above)	(26,809,858)
<b>Goodwill recognized on acquisition</b>	<b>37,190,142</b>

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **2. Acquisition of hospitals, clinics and pharmacies (continued)**

**Acquisitions prior to financial year 2018 (continued)**

#### **(iv) Acquisition of additional interest from NCI**

##### **a) Acquisition of minority stake in Sanad Al Rahma for Medical Care LLC**

On 15 September 2015, the Group acquired additional 56.2% stake in Sanad Al Rahma for Medical Care LLC ("Sanad") for a consideration of AED 1,085,297,793 thereby, increasing the Group's ownership from 40.8% to 97%.

The Group recognised:

- a decrease in NCI of AED 222,448,700; and
- a decrease in retained earnings of AED 862,849,092.

The purchase consideration included contingent consideration payable as per terms of the contract amounting to AED 154,346,793 as at 31 March 2016.

Contingent consideration related to the Group agreeing to pay an additional consideration based on EBITDA margins after a period of three years. The Group had recorded AED 147,845,498 as contingent consideration which represented fair value of the additional consideration at the date of acquisition. At 31 March 2017, the contingent consideration had decreased to AED 36,720,000 based on its fair value as at the reporting date.

During the year ended 31 March 2018, based on the expected performance of Sanad, an independent valuation of the contingent consideration revised the expected liability to AED 10,995,000. This downward revision of the expected liability has resulted in a gain of AED 25,725,000 (2017: AED 117,626,793) which has been recognized in the consolidated statement of profit and loss in 'Other income' for the year ended 31 March 2018.

##### **(v) Acquisition of New Mariam Pharmacy**

During 2012, vide Management and Acquisition Agreement dated 25 April 2011, the Group had obtained assignment of operational and financial control over New Mariam Pharmacy for a consideration of AED 300,000. As per the terms of the agreement, the total consideration for the aforesaid acquisition shall be AED 1,000,000 and the acquisition shall be complete upon physical verification of inventory. However, due to certain disputes, transfer of legal ownership of the pharmacy has not been completed as at 31 March 2018.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **3. Basis of preparation**

#### **3.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and the Implementing Regulations of the Hamriyah Free Zone Authority.

#### **3.2 Basis of measurement**

These consolidated financial statements have been prepared on historical cost basis except for derivatives financial instrument which are measured at fair value. The methods used to measure fair values are discussed in note 5.

#### **3.3 Functional and presentation currency**

These consolidated financial statements are presented in UAE Dirhams (“AED”), which is also the Company’s functional currency.

#### **3.4 Funding and liquidity**

The Group’s business activities, together with factors likely to affect its future development, performance and position are mentioned in the Group’s financial reporting manual. In addition, note 6 sets out the Group’s objectives, policies and processes for managing the Group’s financial risk including capital management and note 27 provides quantitative details of the Group’s exposure to credit risk, liquidity risk and interest rate risk from financial instruments.

The Board of Directors remain satisfied with the Group’s funding and liquidity position. At 31 March 2018, the Group has a net debt of AED 1,066,739,989 (2017: AED 1,056,248,387). The Group’s credit facility covenants are currently within the covenant limits. The Group generated gross cash of AED 317,294,372 (2017: AED 44,926,176) from operating activities and its interest cover for the year is 5.29 times (2017: 3.19 times) (calculated using EBITDA and net finance cost).

Based on the above, the Board of Directors have concluded that the going concern basis of preparation of these consolidated financial statements continues to be appropriate.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **3. Basis of preparation (continued)**

#### **3.5 Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history of collections, existing market conditions as well as forward looking estimates at the end of each reporting period.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements mainly consist of impairment losses on receivables, inventories, goodwill and property, plant and equipment. Refer to note 28 for details.

#### **3.6 Early adoption of IFRS 9 Financial Instruments**

During the year ended 31 March 2017, the Group had elected to early adopt IFRS 9, Financial Instruments effective 1 April 2016 with retrospective application from 1 April 2015.

As a result of the adoption of IFRS 9, the Group adopted consequential amendments to IAS 1: *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below:

##### **i. Classification of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

##### **ii. Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 3. Basis of preparation (continued)

#### 3.6 Early adoption of IFRS 9 Financial Instruments (continued)

##### iii. Transition

Changes in accounting policies resulted from the adoption of IFRS 9 was applied retrospectively.

The following table summarises the impact of transition to IFRS 9 on reserves and retained earnings at 1 April 2016.

	<b>Impact of adopting IFRS 9 at 1 April 2016 (Amount in AED)</b>
<b>Attributable to Owners of the Company</b>	
Closing balance under IAS 39 (31 March 2016)	581,310,584
Recognition of expected credit losses under IFRS 9	(44,239,490)
Opening balance under IFRS 9 (1 April 2016)	537,071,094
<b>Non-controlling interests</b>	
Closing balance under IAS 39 (31 March 2016)	56,021,206
Recognition of expected credit losses under IFRS 9	(673,698)
Opening balance under IFRS 9 (1 April 2016)	55,347,508

##### iv. Classification of financial assets and liabilities on the date of initial application of IFRS 9

The following table shows the changes in measurement categories as per IAS 39 and IFRS 9 for the Group's financial assets and financial liabilities as at 1 April 2016.

Amounts in AED	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Trade receivables	15	Loans and receivables	Amortised cost	1,174,886,098	1,129,972,910
Bank balances	16	Cash and cash equivalent	Amortised cost	84,423,281	84,423,281
Due from related parties	25	Loans and receivables	Amortised cost	33,211,164	33,211,164

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost resulted in a decrease of AED 44,913,188 on transition to IFRS 9.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 April 2016.

Financial assets	IAS 39 carrying amount 1 April 2016	Remeasurement	IFRS 9 carrying amount 1 April 2016
Cash and cash equivalents	87,814,324	-	87,814,324
Trade and other receivables	1,138,690,530	(44,913,188)	1,093,777,342
Due from related parties	33,211,164	-	33,211,164

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4 Significant accounting policies**

The accounting policies set out below have been applied consistently in the years presented in these consolidated financial statements and have been applied consistently by the Group entities.

#### **4.1 Basis of consolidation**

##### *Accounting for business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in the consolidated profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amount related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit and loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognized in the consolidated profit or loss.

If share based payment awards are required to be exchanged for awards held by the acquiree's employees, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based measure of the replacement awards compared with the market based measure of the acquiree's awards and the extent to which the replacement awards relate to pre combination services.

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements incorporate the financial statements of the Holding Company and its subsidiaries which are listed in note 29. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases to exist.

Accounting policies of subsidiaries have been changed wherever necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest represents the interest in the subsidiaries not held by the Group. Non-controlling interest also includes interest assigned to parties based on agreements where no shares were held by such parties.

Change in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.



## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4 Significant accounting policies (continued)**

#### **4.1 Basis of consolidation (continued)**

##### *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to the consolidated profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/ (loss) of associates in the consolidated profit or loss'.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the consolidated profit or loss.

#### **4.2 Revenue**

Revenue from amounts billed to patients against medical and other related services rendered is stated net of trade discounts.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of trade discounts and sales return. Revenue is recognized when pervasive evidence exists, that significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Revenue from services to in-patients is recognized over the period of hospitalization. Revenue from services to out-patients is recognized when the services are rendered.

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.3 Finance income/ finance cost

Finance income comprises interest income on funds invested. Finance income is recognized as it accrues in the consolidated profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Finance cost is recognized as it accrues in the consolidated profit or loss using the effective interest method

#### 4.4 Lease payments

Payments made under operating leases are recognized in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

#### 4.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of an asset.

Depreciation is charged to the consolidated profit or loss on a straight line basis over the estimated useful life of items of property, plant and equipment. No depreciation is charged on land.

Depreciation is charged to the consolidated profit or loss as below:

<b>Asset class</b>	<b>Straight line method Rate of depreciation</b>
Building and constructions	5%
Leasehold improvements and office premises (included in office premises, leasehold improvements and interior decoration)	5%
Interior decoration (included in office premises, leasehold improvements and interior decoration)	20%
Furniture & fixtures	20%
Instruments & equipment	7% - 20%
Computers	20%
Office equipment	20%
Motor vehicles	20%

The depreciation method and useful lives, as well as residual values if not insignificant are reassessed annually. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Capital work in progress is stated at cost, less impairment losses, if any.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4 Significant accounting policies (continued)**

#### **4.5 Property, plant and equipment (continued)**

Full year's depreciation is charged on additions, if procured in the first six months of the financial year and half year's depreciation is charged if procured in the last six months of the financial year and on deletions up to and including the month of deletion of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit or loss during the financial period in which they are incurred.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other income/other expenses in the consolidated profit or loss.

#### *Change in useful lives*

With effect from 1 April 2017, the useful life of medical equipment has revised from 5 to 13 years. The change in useful life was applied prospectively in accordance with International Accounting Standard (IAS) 8, "Accounting Policies, Change in Accounting Estimates and Errors" and has an impact on the depreciation expenses. The financial impact due to the change in the estimate is explained in note 12(e).

#### **4.6 Intangible assets and goodwill**

##### **a) Goodwill**

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognized immediately in the consolidated profit or loss. Goodwill is measured at cost less accumulated impairment losses.

##### **b) Other intangibles**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

##### **c) Amortisation**

Intangible assets are amortised on a straight-line basis in the consolidated profit or loss over their estimated useful lives of 5 - 10 years from the date that they are available for use.

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

#### **4.7 Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses. Cost of medicines, medical consumables and disposables is determined using the weighted average cost method.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4. Significant accounting policies (continued)**

#### **4.8 Foreign exchange**

Transactions denominated in foreign currencies are translated into AED at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the exchange rates ruling on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into AED at the foreign exchange rate ruling at the date of the transaction. Realized and unrealized exchange gains and losses have been dealt with in the consolidated profit or loss.

#### **4.9 Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to AED at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economy, are translated to AED at exchange rates at the dates of the transactions. The Group has not recognized any foreign currency translation reserve as these are not material.

#### **4.10 Employee benefits**

##### **i. Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### **ii. Defined benefit plans**

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan estimating the amount of future benefit that employees have earned in the current period and previous periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, considerations are given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in OCI. The Group determines the net interest expense (income) on the net defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined plans are recognized in the consolidated profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in consolidated profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4. Significant accounting policies (continued)**

#### **4.10 Employee benefits (continued)**

##### **iii. Share based payments**

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in liability, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting condition, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date.

#### **4.11 Financial instruments**

##### *Non derivative financial instruments*

##### **i. Recognition and initial measurement**

Non derivative financial instruments consist of:

- financial assets, which include bank balances and cash, trade receivables and other receivables (excluding prepayments and advances) and amount due from related parties; and
- financial liabilities, which include long and short-term borrowings, bank overdrafts, trade and other payables and amount due to related parties.

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 4. Significant accounting policies (continued)

#### 4.11 Financial instruments (continued)

##### *Non derivative financial instruments (continued)*

#### ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

-the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

-the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated profit or loss. Any gain or loss on derecognition is recognised in the consolidated profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to consolidated profit or loss.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4. Significant accounting policies (continued)**

#### **4.11 Financial instruments (continued)**

##### *Non derivative financial instruments (continued)*

##### **ii. Classification and subsequent measurement (continued)**

###### *Financial liabilities: Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated profit or loss. Any gain or loss on derecognition is also recognised in the consolidated profit or loss.

##### **iii. Derecognition**

###### *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

###### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated profit or loss.

##### **iv. Offsetting**

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4. Significant accounting policies (continued)**

#### **4.11 Financial instruments (continued)**

##### *Non derivative financial instruments (continued)*

##### **v. Impairment**

###### *Financial assets*

The Group applies the expected credit loss model for recognizing impairment loss on financial assets (trade receivables and other financial assets) measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

###### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).



## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 4. Significant accounting policies (continued)

#### 4.11 Financial instruments (continued)

##### *Non derivative financial instruments (continued)*

##### v. Impairment (continued)

##### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

##### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

##### *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in consolidated profit or loss.

#### 4.12 Share capital

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4. Significant accounting policies (continued)**

#### **4.13 Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's consolidated statement of financial position.

#### **4.14 Provisions**

A provision is recognized in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **4.15 Borrowing costs**

Borrowing costs are recognized as expenses in the consolidated profit or loss in the period in which they are incurred and are calculated by using the effective interest rate. However, borrowing costs that are directly attributable to the acquisition, construction or development of qualifying assets are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences from the date of incurring of expenditure relating to qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or development are expensed.

#### **4.16 Income tax and zakat**

Income tax on the profit or loss for the year for entities in a tax jurisdiction comprises current and deferred tax. Income tax is recognized in the profit or loss of these entities for the period except to the extent that it relates to items recognized directly to equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years, in accordance with the applicable laws of the jurisdiction where these entities are incorporated.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Zakat is provided for in accordance with the Saudi Arabian Zakat and Income Tax Regulations. The provision is charged to the consolidated profit or loss of the entity.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4. Significant accounting policies (continued)**

#### **4.16 Income tax and zakat (continued)**

##### *Saudi Arabia*

The zakat and income tax declarations for the years upto and including 2017 have been submitted to the Department of Zakat and Income Tax (DZIT). However, the entity has not yet received the assessments from DZIT for this period.

##### *Oman*

The entities are subject to income tax at the rate of 12% of taxable profit in excess of OMR 30,000. The tax returns of the Company for the years 2014 to 2017 have not been agreed with the Secretariat General for Taxation ("SGT"). The Members consider that the amount of additional taxes, if any, that may become payable on finalization of the open tax years 2014 to 2017 would not be material to the Company's financial position as at 31st March 2018.

##### *Qatar*

Taxation is applicable only in relation to the proportion of the foreign shareholding interest in the entities in accordance with the provisions and requirements of the Qatar Income Tax Law No. 21 of 2009. The Qatari Income tax liability will be borne directly by the foreign shareholder.

##### *Philippines*

The subsidiary in the Philippines is subject to regular income tax at the rate of 30%. The laws are governed by Bureau of Internal Revenue under the Philippine Republic Act 8424, Tax Reform Act of 1997. There is no provision for income tax created for this subsidiary as on 31 March 2018 as there is no taxable profit.

##### *Jordan*

In Jordan, as per the Income Tax Law, No. 34 of 2014, which is effective from 1 January 2015, the corporate income tax rate stands at 20%. Corporate income tax collected from companies is based on the net income companies generate from regular business activities.

##### *Kuwait*

The Kuwait Income Tax Law, as set out under Decree No. 3 of 1955 and relevant amendments under Law No. 2 of 2008 imposes corporate income tax on income of body corporates, carrying on trade or business directly or through a local agent in Kuwait. The income tax law provides for a flat rate of 15% on taxable income.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4. Significant accounting policies (continued)**

#### **4.17 New standards and interpretations**

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018, and have not been applied in preparing these consolidated financial statements, which are as follows:

##### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

##### **(i) Sales of goods**

For the sale of goods, revenue is currently recognized when the goods are delivered to the customers, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The Group's assessment indicates that this may not result in revenue or associated costs on these contracts being recognized over time- i.e. before the goods are delivered to the customers.

For certain contracts that permit the customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. If a reasonable estimate cannot be made, then revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made.

Based on its assessment, the Group does not believe that implication of IFRS 15 may have a material impact on the results of operations.

##### **(ii) Rendering of service**

The Group is involved in healthcare services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognized using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Company sells the services in separate transactions.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **4.17 New standards and interpretations (continued)**

#### **IFRS 15 Revenue from Contracts with Customers (continued)**

##### **(iii) Rendering of service**

Based on the Group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

##### **(iv) Transition**

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 April 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

#### **IFRS 16 Leases:**

On 13 January 2016, the International Accounting Standards Board issued the final version of IFRS 16, Leases. IFRS 16 will replace the existing leases standard, IAS 17, Leases, and related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the consolidated profit or loss. The standard also contains enhanced disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The effective date for adoption of IFRS 16 is annual periods beginning on or after 1 January 2019, though early adoption is permitted for companies applying IFRS 15 Revenue from Contracts with Customers. The Group is currently evaluating the requirements of IFRS 16 and the impact on the consolidated financial statements.

#### **IFRIC 22 Foreign currency transactions and advance consideration:**

On 8 December 2016, the IFRS interpretations committee of the International Accounting Standards Board (IASB) issued IFRS interpretation, IFRIC 22, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The effective date for adoption of IFRIC 22 is annual reporting periods beginning on or after 1 January 2018, though early adoption is permitted. The Group is currently evaluating the effect of IFRIC 22 on the consolidated financial statements.

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 4. Significant accounting policies (continued)

#### 4.17 New standards and interpretations (continued)

##### **IFRIC 23, Uncertainty over Income Tax Treatments:**

In June 2017, the International Accounting Standards Board (IASB) issued IFRS interpretation IFRIC 23 Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. According to IFRIC 23, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition:

Full retrospective approach – Under this approach, IFRIC 23 will be applied retrospectively to each prior reporting period presented in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Retrospectively with cumulative effect of initially applying IFRIC 23 recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of IFRIC 23 is annual periods beginning on or after 1 January 2019, though early adoption is permitted. The Group is yet to evaluate the effect of IFRIC 23 on the consolidated financial statements.

*The following new or amended standards are not expected to have a significant impact on the Company's financial statements.*

- Transfers of Investment Property (Amendments IAS 40) (effective from annual periods beginning on or after 1 January 2018).
- Annual improvements to IFRS 2014-2016 cycle – various standards (amendments to IFRS 1 and IAS 28) (effective for annual periods beginning on or after 1 January 2018).
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (amendments to IFRS 10 and IAS 28)

*The following standards, amendments and interpretations are mandatorily effective from the current year:*

- Annual Improvements to IFRSs 2014-2016 cycle (various standards) (Amendments to IFRS 12).
- Recognition to Deferred Tax Assets for unrealised losses (Amendments to IAS 12).
- Disclosure Initiative (Amendments to IAS 7).

These standards, amendments and interpretations do not have a significant impact on the Company's financial statements.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **5. Determination of fair values**

The Group's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **a) Property, plant and equipment and other intangible assets**

The fair value of property, plant and equipment and other intangible assets recognized as a result of business combinations, and those acquired through exchange of non-monetary assets, is either based on appraised market values, replacement cost or fair value.

#### **b) Inventories**

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

#### **c) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements. In respect of the Group's borrowings that have floating rates of interest, their fair value approximates carrying value.

#### **d) Derivative financial assets**

Fair value of derivative financial assets are measured by reference to quoted market price or by the use of established valuation techniques such as option pricing models and the discounted cash flow method if quoted price in an active market is not available.

### **6. Financial risk management**

#### **Overview**

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about 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.

The Group's senior management has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management framework is a combination of formally documented policies in certain areas and informal approach to risk management in others.

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **6. Financial risk management (continued)**

The Group's approach to risk management is established to identify and analyze the risk 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.

#### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to unbilled revenue, due from related parties, derivative financial instrument, trade and other receivables (excluding prepayments and advances) and bank balances. The exposure to credit risk on advance against investment and due from related parties is monitored on an ongoing basis by the management and these amounts are considered recoverable by the Group's management. The Group's cash is placed with banks of repute.

The Group establishes an allowance for credit loss that represents its estimate of expected credit loss (ECL) in respect of trade and other receivables. The Group recognises loss allowances for ECLs on financial assets measured at amortised cost at an amount equal to lifetime ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

#### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to trade and other payables, dividend payable, due to related parties, finance lease liability and bank and other borrowings. 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. In addition to its own assets and lines of credit available to it from financial institutions, the Group also uses the funds from certain related parties for purposes of managing its requirements.

#### **Market risk**

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

#### **Currency risk**

The Group's exposure to foreign currency risk is minimal as the majority of its transactions are denominated in the Group's functional currency or currencies that are pegged to the US Dollar. The UAE Dirham, Saudi Riyal, Qatari Riyal, Jordanian Dinar, Bahraini Dinar and Omani Riyal are currently pegged to the US Dollar and transactions in Kuwaiti Dinar and Philippines Peso are limited, hence currency risk is minimal.

#### **Equity risk**

The Group does not have any exposure to equity risk.



## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **6. Financial risk management (continued)**

#### *Interest rate risk*

The Group's exposure to interest rate risk is primarily on its bank borrowings. The interest rate on the Group's financial instruments is based on market rates. The Group monitors the movement in interest rates on an ongoing basis.

#### **Operational risk**

Operational risk is the risk of direct or indirect loss arising from the Group's operations coming 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 behaviour.

The Group's objective is to manage operational risks 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 primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by development of overall Group standards for management of operational risk in appropriate segregation of duties, reconciliation and monitoring of transactions, compliance with regulatory and legal requirements, development of contingency plans, training and professional development, ethical and business standards and risk mitigation.

Compliance with the Group standards is supported by a program of monitoring by senior management

#### **Capital management**

The Board's policy is to maintain a strong capital base to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security offered by a sound capital position.

There were no changes in the Group's approach to capital management during the year other than the increase in share capital. The Group is not subject to externally imposed capital requirements. Also refer note 23.

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

	Year ended 31 March 2018 AED	Year ended 31 March 2017 AED
<b>7 (a) Revenue</b>		
Hospitals and clinics	2,191,223,512	1,853,530,204
Pharmacies	978,600,802	876,510,551
Service income	3,125,176	2,621,057
	<b><u>3,172,949,490</u></b>	<b><u>2,732,661,812</u></b>
<b>7 (b) Other income</b>		
Reversal of provision for contingent consideration (refer note (i) below)	25,725,000	117,626,793
Receipt against prior year allowances for credit losses on receivables (refer note (ii) below)	48,237,221	-
Other miscellaneous Income	9,793,822	13,744,093
	<b><u>83,756,043</u></b>	<b><u>131,370,886</u></b>
<p>i) During the year ended 31 March 2016, the Group had acquired a portion of the non-controlling interest in its controlled subsidiary Sanad Al Rahma for Medical Care L.L.C, KSA ('Sanad'). The purchase consideration included a contingent consideration payable to the sellers based on future performance of Sanad. The Group carried a liability of AED 154,346,793 as at 31 March 2016 relating to the contingent consideration. Based on the expected performance of Sanad, an independent valuation of the contingent consideration revised the expected liability to AED 10,995,000 as at 31 March 2018 (2017: AED 36,720,000). This downward revision of the expected liability has resulted in a gain of AED 25,725,000 (2017: AED 117,626,793), which has been recognized in the consolidated profit or loss for the year ended 31 March 2018.</p>		
<p>ii) During the year ended 31 March 2017, Sanad had entered into a settlement agreement with Ministry of Health, Kingdom of Saudi Arabia from whom significant amounts were due for services provided in earlier years. The settlement has resulted in Sanad writing-off a significant portion of these receivables. During the current year, Sanad has recovered an amount of AED 48,237,221 out of the previously written-off receivables.</p>		
<b>8 Direct costs</b>		
Cost of materials sold	682,106,145	596,932,771
Materials consumed at clinics and hospitals	320,575,831	295,766,120
Remuneration to doctors	636,737,470	532,098,193
Other direct expenses	36,861,766	33,581,037
	<b><u>1,676,281,212</u></b>	<b><u>1,458,378,121</u></b>
<b>9 Administration, selling and general expenses</b>		
Staff salaries and benefits	649,983,582	554,750,484
Rent	163,120,708	137,520,162
License and visa fee	42,137,118	33,902,352
Water and electricity	27,153,995	20,749,915
Communication	13,551,379	11,329,494
Advertisement and sales promotion	56,274,781	61,607,756
Printing and stationary	5,772,092	6,159,995
Selling and general administration expenses	158,204,001	154,847,022
Equity settled share based payment transactions	945,726	2,611,202
	<b><u>1,117,143,382</u></b>	<b><u>983,478,382</u></b>
<b>10 Depreciation and amortization of intangible assets</b>		
Depreciation (refer note 12)	108,425,643	123,845,593
Impairment of goodwill (refer note 13)	500,000	-
Amortisation of intangible assets (refer note 13)	7,148,202	2,896,640
	<b><u>116,073,845</u></b>	<b><u>126,742,233</u></b>
<b>11 Finance costs</b>		
Interest on bank borrowings	66,831,955	58,195,729
Bank charges	8,144,407	9,125,853
	<b><u>74,976,362</u></b>	<b><u>67,321,582</u></b>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

	Land	Building & constructions	Office premises, leasehold improvements & interior decoration	Furniture & fixtures	Instruments & equipments	Computers	Office equipments	Motor vehicles	Capital work-in-progress	Amounts in AED
<b>Year</b>										<b>Total</b>
Balance at 1 April 2017	10,171,517	55,311,158	183,107,280	103,494,648	272,274,598	14,800,535	46,527,886	19,441,554	122,648,982	827,778,158
Additions / transfers	512,353	139,604,663	34,860,539	34,860,539	82,160,712	15,191,062	16,132,140	2,215,596	(13,127,036)	277,550,001
Acquisition through business combinations (refer note 2(ii))	-	-	15,529,891	73,980	10,143,574	-	-	68,708	-	25,747,146
Disposals	-	-	-	-	(1,893,481)	-	(564,488)	(3,000,946)	-	(1,058,915)
Balance at 31 March 2017	10,171,517	55,823,511	338,041,836	138,429,167	364,385,403	29,991,597	62,226,561	21,423,892	109,521,946	1,130,016,370
Balance at 1 April 2017	10,171,517	55,823,511	338,041,836	138,429,167	364,385,403	29,991,597	62,226,561	21,423,892	109,521,946	1,130,016,370
Additions / transfers	-	6,923,758	34,857,787	9,437,440	55,774,600	7,897,789	7,894,339	1,393,376	73,962,903	254,130,017
Acquisition through business combinations (refer note 2(i))	-	-	241,024	7,751	838,651	90,625	16,399	-	-	1,194,600
Disposals	-	-	(5,845,300)	-	(569,054)	(129,136)	(1,875)	(207,488)	-	(6,552,913)
Balance at 31 March 2018	10,171,517	118,747,269	367,394,347	147,874,358	420,429,580	37,850,875	70,125,614	22,610,710	183,484,854	1,378,788,134
<b>Accumulated depreciation</b>										
Balance at 1 April 2016	-	14,085,206	60,318,667	5,110,354	(36,611,136)	6,752,302	27,162,715	9,341,704	-	805,475,104
Depreciation for the year	-	2,747,546	34,987,727	20,054,481	(8,340,270)	6,362,512	6,954,576	4,498,481	-	123,845,593
On disposals	-	-	-	-	(110,830)	-	(246,602)	(277,139)	-	(634,351)
Balance at 31 March 2017	-	16,832,752	95,306,394	25,164,835	(44,951,406)	13,114,814	33,870,709	13,563,066	-	428,686,346
Balance at 1 April 2017	-	16,832,752	95,306,394	25,164,835	(44,951,406)	13,114,814	33,870,709	13,563,066	-	428,686,346
Depreciation charge for the year	-	6,868,180	38,373,480	19,891,190	(26,378,322)	9,443,840	4,687,099	2,821,532	-	108,425,643
On disposals	-	-	(1,510,810)	-	(224,663)	(55,387)	(1,875)	(35,601)	-	(1,808,336)
Balance at 31 March 2018	-	23,700,932	132,269,064	45,056,025	(71,554,391)	22,592,267	38,755,833	16,348,997	-	535,303,653
Net book value as at 31 March 2018	10,171,517	95,046,337	235,224,283	56,825,333	291,875,145	15,325,608	31,369,781	6,261,713	183,484,854	843,484,481
Net book value as at 31 March 2017	10,171,517	38,990,759	342,055,442	67,271,312	179,444,627	16,826,783	28,355,852	7,861,826	109,521,946	701,330,066

Notes  
a) Vehicles with net book value of AED 1.64 million (2017: AED 2.92 million) are hypothecated against bare purchase loans provided by a creditor bank.

b) Additions to building & constructions includes hospital building acquired on finance lease for a period of 25 years. Details are as follows:

	As at 31 March 2018	As at 31 March 2017
Gross block	161,900,806	-
Accumulated depreciation	(3,201,379)	-
Net block	158,699,427	-

c) Capital work in progress as at 31 March 2018 represents:

- Expenditure towards construction and improvement of hospital and clinics (other than Medcare Hospital LLC) amounting to AED 114.55 million (2017: AED 38.99 million) in UAE and AED 25 (5 million (2017: AED 17.85 million) in Saudi Arabia.
- Expenditure towards construction and improvement of hospitals and clinics of Medcare Hospital LLC amounting to AED 7.21 million (2017: AED 25.31 million).
- Expenditure towards setting up of Pharmacies in UAE amounting to AED 9.59 million (2017: AED 11.91 million), and
- Expenditure towards setting up of Clinics in Philippines amounting to AED 0.04 million (2017: AED 5.62 million)

d) With effect from 1 April 2016, the Group had changed the depreciation method for property, plant and equipment of certain subsidiaries from diminishing balance method to straight line basis. The change in accounting estimate was applied prospectively in accordance with International Accounting Standards ("IAS") 8. Accounting policies, changes in accounting estimates and errors. The effect of these revisions on the depreciation charge in the previous year, current year and future years is as follows:

Increase / (decrease) in depreciation charge	2017		2018		2019		2020		2021	
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
	2,103,907	34,234,113	34,234,113	29,023,315	3,737,680	18,350,770				

e) With effect from 1 April 2016, the Group had reviewed the useful lives of medical equipments, included in 'Instruments & equipments' of certain subsidiaries from 5 to 8 years. The change in accounting estimate was applied prospectively in accordance with International Accounting Standards ("IAS") 8. Accounting policies, changes in accounting estimates and errors. The effect of these changes on the depreciation charge in the previous year, current year and future years is as follows:

Increase / (decrease) in depreciation charge	2017		2018		2019		2020		2021	
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
	(8,325,812)	(13,083,814)	(13,083,814)	(13,083,814)	(1,838,588)	16,130,946				

f) With effect from 1 April 2017, the Group has revised the useful lives of medical equipments, included in 'Instruments & equipments' of certain subsidiaries from 5 to 13 years. The change in accounting estimate is applied prospectively in accordance with IAS 8. Accounting policies, changes in accounting estimates and errors. The effect of these changes on the depreciation charge in the current and future years is as follows:

Decrease in depreciation charge	31 March 2018		31 March 2019		31 March 2020		31 March 2021	
	AED	AED	AED	AED	AED	AED	AED	AED
	18,043,318	15,637,305	13,027,975	6,654,237	8,155,784			

For details of property, plant and equipment pledged, refer note 21.

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 13. Intangible assets and goodwill

	Amounts in AED		
	Goodwill	Other intangible assets	Total
<b>Cost</b>			
Balance at 1 April 2016	128,734,311	25,550,682	154,284,993
Acquisitions through business combination (refer note 2(iii))	37,190,142	10,100,000	47,290,142
Additions during the year	-	608,574	608,574
<b>Balance at 31 March 2017</b>	<b>165,924,453</b>	<b>36,259,256</b>	<b>202,183,709</b>
Balance at 1 April 2017	165,924,453	36,259,256	202,183,709
Acquisitions through business combination (refer notes 2(i) and (ii))	19,519,792	-	19,519,792
Additions during the year	-	33,586,618	33,586,618
<b>Balance as at 31 March 2018</b>	<b>185,444,245</b>	<b>69,845,874</b>	<b>255,290,119</b>
<b>Amortisation and impairment losses</b>			
Balance at 1 April 2016	4,221,251	13,186,000	17,407,251
Amortization during the year	-	2,896,640	2,896,640
<b>Balance as at 31 March 2017</b>	<b>4,221,251</b>	<b>16,082,640</b>	<b>20,303,891</b>
Balance at 1 April 2017	4,221,251	16,082,640	20,303,891
Amortization during the year	-	7,148,202	7,148,202
Impairment loss (refer notes 10 and 29)	500,000	-	500,000
<b>Balance as at 31 March 2018</b>	<b>4,721,251</b>	<b>23,230,842</b>	<b>27,952,093</b>
<b>Net book value as at 31 March 2018</b>	<b>180,722,994</b>	<b>46,615,032</b>	<b>227,338,026</b>
Net book value as at 31 March 2017	161,703,202	20,176,616	181,879,818

Goodwill has been allocated to the following cash generating units (CGUs):

	As at 31 March 2018	As at 31 March 2017
	AED	AED
Pharmacies	75,560,022	60,501,471
Hospitals	58,321,096	58,321,096
Clinics	46,841,876	42,880,635
	<b>180,722,994</b>	<b>161,703,202</b>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>14 Inventories</b>		
At Pharmacies	263,653,906	212,874,146
At Clinics	16,121,377	14,490,416
Consumables	56,682,575	50,405,082
	<b>336,457,858</b>	<b>277,769,644</b>
	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>15 Trade and other receivables</b>		
Trade receivables	1,001,589,113	859,577,941
Less allowance for expected credit losses (refer note 27(c))	(181,295,022)	(174,763,627)
	820,294,091	684,814,314
Unbilled revenue	19,461,579	108,226,912
	19,461,579	108,226,912
Other receivables	135,867,558	195,044,028
Prepayments	74,344,414	66,634,118
Long term portion of prepayments	27,345,565	17,940,969
	<b>1,077,313,207</b>	<b>1,072,660,341</b>
Non-current portion	27,345,565	17,940,969
Current portion	1,049,967,642	1,054,719,372
	<b>1,077,313,207</b>	<b>1,072,660,341</b>
The Group's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in note 27(c)		
	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>16 Bank balances and cash</b>		
Cash in hand	5,585,870	4,457,280
Bank balances	65,119,839	64,224,631
	<b>70,705,709</b>	<b>68,681,911</b>
Cash and cash equivalents consists of the following for the purpose of the consolidated statement of cash flows:		
Bank balances and cash (as above)	70,705,709	68,681,911
Bank overdraft (refer note 21)	(305,474,507)	(353,843,667)
	<b>(234,768,798)</b>	<b>(285,161,756)</b>
<b>17 Equity accounted investees</b>		
Investment in associates	11,752,236	11,492,024
Advance against investments	13,388,037	13,290,917
	<b>25,140,273</b>	<b>24,782,941</b>

### (a) Investment in associates

The Group has a 25% interest in Aries Holdings FZC, an entity which is not listed on any public exchange, effective from 24 November 2014. The carrying value of the investment as at 31 March 2018 was AED 11,752,236 (2017: AED 11,400,779). The Group's share of profit for the year ended 31 March 2018 was AED 351,457 (2017: loss of AED 66,631).

The Group has a 33% interest in AAQ Healthcare Investments LLC, an entity which is not listed on any public exchange, effective from 3 March 2016. The carrying value of the investment as at 31 March 2018 was AED 99,000 (2017: AED 91,245). The Group's share of losses for the year ended 31 March 2018 was AED 247,569 (2017: AED 5,875).

The following table summarises the financial information of Aries Holdings FZC & AAQ Healthcare Investments LLC as included in its own financial statements:

	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>Percentage ownership interest in Aries Holdings FZC</b>	25%	25%
Non-current assets	102,334,780	105,793,506
Non-current liabilities	(27,950,258)	(35,109,852)
Current assets	11,399,915	2,312,972
Current liabilities	(38,775,492)	(27,393,509)
Net assets (100%)	47,008,945	45,603,117
Group's share of net assets (25%)	11,752,236	11,400,779
Add: advance against investments	13,289,037	13,289,037
Carrying amount of interest in associate (A)	<b>25,041,273</b>	<b>24,689,816</b>
Revenue	9,000,000	-
Total comprehensive income (100%)	1,405,828	(266,525)
Group's share of profit (loss) and total comprehensive income (25%)	<b>351,457</b>	<b>(66,631)</b>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>17 Equity accounted investees (continued)</b>		
<b>Percentage ownership interest in AAQ Healthcare Investments LLC</b>	33%	33%
Non-current assets	75,586,677	41,697,526
Current assets	6,804,410	201,000
Current liabilities	(82,864,796)	(41,622,026)
Net assets (100%)	(473,709)	276,500
Group's share of net assets (33%)	-	91,245
Add: advance against investments	99,000	1,880
Carrying amount of interest in associate (B)	<u>99,000</u>	<u>93,125</u>
Revenue	-	-
Total comprehensive income (100%)	(750,209)	(23,500)
Group's share of loss and total comprehensive income (33%)	<u>(247,569)</u>	<u>(5,875)</u>
<b>(b) Advance against investments</b>		
Advance against investment as at 31 March 2018 and 31 March 2017 represents the advance made by the Group towards the acquisition of additional shares in Aries Holding FZC and AAQ Healthcare Investments LLC.		
<b>18 Trade and other payables</b>	As at 31 March 2018 AED	As at 31 March 2017 AED
Trade payables	435,818,558	395,181,196
Payable towards acquisition of additional interest from non-controlling interests [refer note 2(v)(a)]	15,995,000	41,720,000
Payable to partners in clinics and pharmacies*	7,493,033	9,749,687
Accrued expenses and other payables	279,787,372	203,736,976
	<u>739,093,963</u>	<u>650,387,859</u>
*Represents the minority stake and share of profits payable to individuals relating to some of the clinics and pharmacies taken over by the subsidiaries of the Group		
<b>19 Zakat charge and income tax expense</b>	As at 31 March 2018 AED	As at 31 March 2017 AED
Income tax	5,702,990	1,579,434
Zakat charge*	1,906,396	3,279,571
	<u>7,609,386</u>	<u>4,859,005</u>
* Zakat charge is amount provided for in accordance with the Saudi Arabian Zakat and Income Tax regulations.		
A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarised below:		
<b>Particulars</b>	As at 31 March 2018 AED	As at 31 March 2017 AED
Profit before income taxes	203,645,396	17,395,954
Tax effect of non-taxable income of the Company and subsidiary companies	(115,459,882)	(4,294,537)
Non-deductible expenses / permanent differences	(45,562,977)	(5,204,248)
Profit applicable for taxation	42,622,536	7,897,169
Enacted tax rates in subsidiaries	13%	20%
Income tax expense	<u>5,702,990</u>	<u>1,579,434</u>
<b>20 Dividend payable</b>		
Opening balance	12,931,035	80,582,135
Add: declared during the year by the subsidiaries to non-controlling interests	10,511,524	3,185,000
Less: distribution during the year	(19,630,684)	(70,836,100)
	<u>3,811,875</u>	<u>12,931,035</u>
<b>21 Bank borrowings</b>		
<b>Non-current liabilities</b>		
Bank loans	695,489,113	634,344,074
Vehicle loans	867,142	1,478,243
Finance lease	60,694,996	-
	<u>757,051,251</u>	<u>635,822,317</u>
<b>Current liabilities</b>		
Bank loans	64,131,107	65,498,454
Bank overdraft (refer note 16)	305,474,507	353,843,667
Vehicle loans	778,119	1,083,949
Finance lease	1,441,048	-
	<u>371,824,781</u>	<u>420,426,070</u>
	<u>1,128,876,032</u>	<u>1,056,248,387</u>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 21 Bank borrowings (continued)

#### a) Schedule of borrowings (excluding finance lease):

Name of the bank	Currency	As at 31 March 2018		As at 31 March 2017	
		Face Value (AED)	Carrying Amount (AED)	Face Value (AED)	Carrying Amount (AED)
Abu Dhabi Commercial Bank (ADCB)	AED	9,872,809	9,872,809	56,477,936	56,477,936
Al Omaniya Financial Services	OMR	-	-	14,563	14,563
Axis Bank Limited	AED	-	-	36,720,000	36,720,000
Axis Bank Limited	USD	760,103,764	760,103,764	569,160,000	569,160,000
Bank Muscat	SAR	-	-	19,592,477	19,592,477
Citi Bank	AED	46,122,993	46,122,993	90,303,480	90,303,480
Commercial Bank of Dubai	AED	77,221,403	77,221,403	85,270,485	85,270,485
Commercial Bank of Qatar	QAR	29,375,452	29,375,452	28,576,146	28,576,146
Emirates NBD	AED	343,814	343,814	511,822	511,822
ICICI Bank	USD	36,725,000	36,725,000	36,453,144	36,453,144
Mashreq Bank	AED	25,329,625	25,329,625	30,260,696	30,260,696
National Bank of Abu Dhabi	AED	-	-	2,209,653	2,209,653
National Bank of Abu Dhabi	JOD	8,088,661	8,088,661	8,441,961	8,441,961
National Bank of Oman	OMR	20,530,321	20,530,321	25,663,229	25,663,229
Standard Chartered Bank	AED	44,044,640	44,044,640	54,990,435	54,990,435
United Arab Bank	AED	8,981,507	8,981,507	11,602,360	11,602,360
		<b>1,066,739,989</b>	<b>1,066,739,989</b>	<b>1,056,248,387</b>	<b>1,056,248,387</b>

#### b) The bank facilities has the following securities and covenants:

- Commercial mortgage on medical equipments, machineries, tools accessories, furniture & fixtures, inventories and receivables;
- Promissory note;
- Insurance of medical equipments, machineries, tool and other accessories, furniture and fixtures, computers and motor vehicles in favour of the bank;
- Corporate guarantee of the Holding Company and security cheque;
- Corporate guarantee of subsidiary companies;
- Insurance of inventories in favour of the bank;
- Assignment of receivables from insurance companies in favour of the bank;
- Assignment of point of sale collection;
- Assignment and subordination of shareholders loans;
- Assignment of credit card receivables of the Group;
- Assignment of insurance receivables of the Group;
- Hypothecation of assets;
- Mortgage of office premise and hospital building at the Kingdom of Saudi Arabia;
- Pledge of 51% of equity interest held by Affinity Holdings Private Limited in the Holding Company;
- Accounts and share pledge;
- Leverage ratio not to exceed 4;
- Debt equity ratio: not to exceed 2;
- Undertaking letters from Borrower & Guarantors; and
- Bank guarantee from Commercial Bank of Dubai.

These facilities carry an interest rate of 2.25% p.a to 6.5% p.a and repayment period available till 2027.

During the previous year, the Holding Company had entered into a new facility agreement with Axis Bank Limited for a term loan amounting to AED 1,083.2 million (USD 295 million). A side bilateral agreement was entered into with Standard Chartered Bank to increase the amount of the overdraft facility from AED 25.7 million (USD 7 million) to AED 55.7 million (USD 15 million). Earlier loan facility with Standard Chartered Bank, taken on 21 August 2011 had been extinguished.

Based on the revised terms of the loan, management had conducted a quantitative and qualitative evaluation and had concluded that the revised terms signed, did not result in a significant modification of the terms and conditions of the facility agreement. Accordingly, the loan would continue to be accounted at amortised cost based on effective interest method. The modifications in the terms of the loan resulted in a revised effective interest rate to compute the amortised cost based on revised terms of the facility agreement.

#### c) Finance lease liability

During the current year, the Group has entered into a finance lease arrangement to obtain a hospital building on lease for a period of 25 years. Also refer note 12. Finance lease liability is payable as follows:

	31 March 2018		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	5,073,755	3,590,105	1,483,650
More than 1 year and less than 5 years	25,612,466	16,489,989	9,122,477
More than 5 years	80,004,219	28,474,303	51,529,917
	<b>110,690,440</b>	<b>48,554,397</b>	<b>62,136,044</b>

#### d) Changes in liabilities arising from financing activities

	1 April 2017	Cash flows	Changes in fair values	New leases	31 March 2018
Bank borrowings	702,404,720	58,860,761	-	-	761,265,481
Finance lease	-	-	-	62,136,044	62,136,044
Derivative financial instruments (forward contract receivable)	-	-	3,383,103	-	3,383,103
<b>Total</b>	<b>702,404,720</b>	<b>58,860,761</b>	<b>3,383,103</b>	<b>62,136,044</b>	<b>826,784,628</b>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>22 Provision for employees' end of service benefits</b>		
<i>Movement in employees' end of service benefits during the year is as follows:</i>		
Opening balance	105,513,772	87,470,000
Provision made during the year	26,928,000	24,636,772
Less: amount paid during the year	(12,429,772)	(6,593,000)
	<b>120,012,000</b>	<b>105,513,772</b>
<b>Particulars</b>	<b>As at / for the year ended 31 March 2018</b>	<b>As at / for the year ended 31 March 2017</b>
Obligations at the beginning of the year	105,513,772	87,470,000
Current service cost	27,852,000	18,457,772
Interest cost	3,696,000	3,062,000
Actuarial loss/(gain)	(4,620,000)	3,117,000
Benefits paid	(12,429,772)	(6,593,000)
<b>Obligations at the end of the year</b>	<b>120,012,000</b>	<b>105,513,772</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	120,012,000	105,513,772
<b>Net liability recognized in the consolidated statement of financial position</b>	<b>120,012,000</b>	<b>105,513,772</b>
<b>Expense recognised in the consolidated statement of profit and loss</b>		
<i>a) Expense recognised in the consolidated statement of profit and loss</i>		
Current service cost	27,852,000	18,457,772
Interest cost	3,696,000	3,062,000
	<b>31,548,000</b>	<b>21,519,772</b>
<i>b) Remeasurements recognised in other comprehensive income</i>		
Actuarial (gain) /loss	(4,620,000)	3,117,000
	<b>(4,620,000)</b>	<b>3,117,000</b>
<b>Assumptions:</b>		
Discount rate (per annum)	3.50%	3.50%
Rate of increase in compensation levels*	2.75%-3.5%	3.50%
Attrition rates	15%	15%
Expected average remaining working life of employees	5 to 6 years	5 to 9 years
Mortality rate	IALM 2006-08 (Ult.)	IALM 2006-08 (Ult.)

\*The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 March 2018		31 March 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(6,732,000)	7,550,000	(5,954,990)	6,681,000
Future salary increase (1% movement)	7,526,000	(6,837,000)	6,658,000	(6,046,990)
Attrition rate (1% movement)	206,000	(238,000)	161,000	(189,000)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>23 Share capital</b>		
<i>Issued and paid up</i>		
1,024,191 shares of AED 1,000 each (2017: 1,024,191 shares of AED 1,000 each)	1,024,191,000	1,024,191,000
	<b>1,024,191,000</b>	<b>1,024,191,000</b>
<b>Ordinary shares</b>		

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at Board meetings of the Company.

### 24 Legal reserve

The legal reserve represents the legal reserves of the LLC / WLL companies in the Group created according to Article 255 of the UAE Commercial Companies Law, Qatar Commercial Companies Law No. 5 of 2002, Article (176) of Kingdom of Saudi Arabia Companies System, Bahrain Commercial Companies Law 2001 and Article 154 of the Sultanate of Oman's Commercial Law of 1974. It is a minimum of 10% of the net profit of the LLC / WLL companies, allocated every year to a legal reserve, which is not distributable. Such allocations may be ceased when the legal reserve equals half of the paid-up share capital. This reserve is non-distributable except in certain circumstances as mentioned in the above-mentioned laws.



## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 25 Related party balances and transactions

The Group, in the normal course of business, enters into transactions with other business entities and individuals that fall within the definition of related parties as contained in International Accounting Standard No. 24. The aggregate values of transactions entered into with related parties are as follows:

#### (i) Names of related parties and description of relationship with the Company:

##### A) Enterprises where control exists

- (a) Parent Company  
(b) Ultimate Parent Company  
(c) Subsidiaries and associates

Affinity Holdings Private Limited, Mauritius  
Union Investments Private Limited, Mauritius  
Refer note 29

##### B) Other related parties with whom the Group has transactions during the year

- (a) Key managerial personnel and their relatives:

Dr. Azad Moopen (Chairman and Managing Director)  
Mr. Jobilal Vasudevan (Chief Executive Officer)  
Dr. Sameer Moopen (Chief Executive Officer)  
Mr. Sreenath Reddy (Chief Financial Officer)  
Mr. Wilson T Joseph (Director)  
Mrs. Alisha Moopen (Director)  
Mr. Karik Thakrar (Financial Controller)

(ii) Related party transactions	As at	As at
	31 March 2018	31 March 2017
	AED	AED
<b>Key management personnel compensation</b>		
Management remuneration and short-term employee benefits	11,988,169	19,299,561
<b>Short term loans and advances given</b>		
Affinity Holdings Pvt. Ltd	128,478,151	72,510,977
<b>Advance made/ (received) during the year</b>		
Aries Holdings FZC	11,394,922	5,653,978
AAQ Healthcare Investments LLC	(18,480,552)	41,526,020

#### (iii) Related party balances

Due from related parties	As at	As at
	31 March 2018	31 March 2017
	AED	AED
Affinity Holdings Pvt. Ltd	200,989,128	72,510,977
Aries Holdings FZC	17,115,532	5,720,609
AAQ Healthcare Investments LLC	22,797,899	41,531,895
Al Shafar Group of Companies	3,226,083	7,192,057
Yanbu Al-Khaleej International General Trading Company W.L.L.	6,610,978	6,745,213
Abu Sheikha Drug Stores W.L.L.	3,131,919	4,705,578
Aster DM Healthcare Ltd	-	2,599,715
Mr. Nazeem Ahmed	855,606	1,925,606
Mr. Shams Moopen	-	1,755,617
Dr. A R Saleem	1,516,405	1,295,434
Dr. Sameer Moopen	1,716,361	1,221,905
Grace Healthcare Consultants LLC	604,936	654,716
Mr. Abdulla Ali Ahmad Al Kashari	-	432,000
Receivable from clinic partners *	-	3,389,647
Mr. Salim K. K.	150,550	-
Ahmed Moopen	219,017	-
Dr. Pakkar Koya	1,010,546	-
Others	5,856,956	6,643,236
	<b>265,801,916</b>	<b>158,324,205</b>

\* Represents funds advanced to minority stakeholders of certain clinics, taken over by the subsidiaries of the Group

Due to related parties	As at	As at
	31 March 2018	31 March 2017
	AED	AED
Aster DM Healthcare Limited	10,929,296	11,700,280
Others	17,705,449	23,135,055
Management remuneration	2,500,000	-
	<b>31,134,745</b>	<b>34,835,335</b>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 26 Contingent liabilities and commitments

	As at 31 March 2018 AED	As at 31 March 2017 AED
<b>a) Contingent liabilities</b>		
Bank guarantees	460,800	19,592,000
	<u>460,800</u>	<u>19,592,000</u>
<b>b) Commitments</b>		
Capital commitments*	147,578,709	74,002,485
	<u>147,578,709</u>	<u>74,002,485</u>
*Capital commitments relate to the Group's commitments towards hospitals, clinics and pharmacies		
<b>c) Operating lease commitments - as lessee</b>	<b>As at</b>	<b>As at</b>
	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>AED</b>	<b>AED</b>
Future minimum rental payable under non-cancellable operating leases are as follows:		
Less than one year	138,166,922	54,365,778
Between one and five years	283,207,552	189,274,604
More than five years	650,456,890	497,605,095
	<u>1,071,831,364</u>	<u>741,245,477</u>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 27 Financial instruments

#### (a) Accounting classification and fair values

##### Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities  
 Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).  
 Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		Fair value					
	FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>31 March 2018</b>								
<b>Financial assets not measured at fair value*</b>								
Trade and other receivables	-	975,623,229	-	975,623,229	-	-	-	-
Bank balances and cash	-	70,705,709	-	70,705,709	-	-	-	-
Due from related parties	-	265,801,916	-	265,801,916	-	-	-	-
<b>Financial assets measured at fair value</b>								
Forward contract receivable	3,383,103	-	-	3,383,103	-	3,383,103	-	3,383,103
	<b>3,383,103</b>	<b>1,312,130,854</b>	<b>-</b>	<b>1,315,513,957</b>				
<b>Financial liabilities not measured at fair value*</b>								
Dividend payable	-	-	3,811,875	3,811,875	-	-	-	-
Bank borrowings	-	-	1,128,876,032	1,128,876,032	-	-	-	-
Due to related parties	-	-	31,134,745	31,134,745	-	-	-	-
Trade and other payables	-	-	728,098,963	728,098,963	-	-	-	-
<b>Financial liabilities measured at fair value</b>								
Payable to minority shareholders towards acquisitions (refer note 7(b) (i))	10,995,000	-	-	10,995,000	-	-	-	10,995,000
	<b>10,995,000</b>	<b>-</b>	<b>1,891,921,615</b>	<b>1,902,916,615</b>				
<b>31 March 2017</b>								
<b>Financial assets not measured at fair value*</b>								
Trade and other receivables	-	988,085,254	-	988,085,254	-	-	-	-
Bank balances and cash	-	68,681,911	-	68,681,911	-	-	-	-
Due from related parties	-	158,324,205	-	158,324,205	-	-	-	-
	<b>-</b>	<b>1,215,091,370</b>	<b>-</b>	<b>1,215,091,370</b>				
<b>Financial liabilities not measured at fair value*</b>								
Dividend payable	-	-	12,931,035	12,931,035	-	-	-	-
Bank borrowings	-	-	1,056,248,387	1,056,248,387	-	-	-	-
Due to related parties	-	-	34,835,335	34,835,335	-	-	-	-
Trade and other payables	-	-	613,667,859	613,667,859	-	-	-	-
Payable to minority shareholders towards acquisitions (refer note 7(b) (i))	36,720,000	-	-	36,720,000	-	-	-	36,720,000
	<b>36,720,000</b>	<b>-</b>	<b>1,717,682,616</b>	<b>1,754,402,616</b>				

\* The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade receivables, trade payables etc, because their carrying amounts are a reasonable approximation of fair value

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 27 Financial instruments (continued)

#### (b) Measurement of fair values

The following methods and assumptions were used to estimate fair values:

##### Level 3 fair values

The significant unobservable inputs used in the fair value measurement of the level 3 fair values together with a quantitative sensitivity analysis as at 31 March 2018 and 31 March 2017 are as shown below:

##### Reconciliation of level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

Particulars	Contingent consideration
Balance at 1 April 2016	(154,346,793)
<b>Gain included in the consolidated profit or loss</b>	
Net change in fair value (unrealised) (refer note 7(b)(i))	117,626,793
<b>Balance at 31 March 2017</b>	<b>(36,720,000)</b>
Balance at 1 April 2017	(36,720,000)
<b>Gain included in the consolidated profit or loss</b>	
Net change in fair value (unrealised) (refer note 7(b)(i))	25,725,000
<b>Balance as at 31 March 2018</b>	<b>(10,995,000)</b>

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified to equity, then it is not remeasured subsequently and settlement is accounted for within equity. Other contingent consideration is measured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognised in consolidated profit or loss.

##### Sensitivity analysis

For the fair values of contingent consideration, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Particulars	Profit or loss	
	31 March 2017	
	Increase	Decrease
Volatility (5% movement)	1,063,160	96,551
EBITDA growth rates (10% movement)	(1,836,118)	1,739,567
Risk free rate (1% movement)	(579,856)	(386,753)
Annual revenue growth rate (10% movement)	386,753	(772,958)

#### (c) Credit risk

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	As at	As at
	31 March 2018	31 March 2017
	AED	AED
Trade receivables (refer note 15)	820,294,091	684,814,314
Unbilled revenue (refer note 15)	19,461,579	108,226,912
Other receivables (refer note 15)	135,867,558	195,044,028
Bank balances (including deposits) (refer note 16)	65,119,839	64,224,631
Due from related parties (refer note 25)	265,801,916	158,324,205
	<b>1,306,544,983</b>	<b>1,210,634,090</b>

##### Expected credit losses

The ageing of trade receivables at the reporting date was:

	2018			2017		
	Gross	Expected credit losses	Weighted average loss rate	Gross	Expected credit losses	Weighted average loss rate
0 – 30 days	211,926,602	(3,105,827)	-1.47%	163,770,447	(2,488,530)	-1.52%
31 – 180 days	543,845,605	(20,741,271)	-3.81%	485,700,979	(41,866,172)	-8.62%
181 – 365 days	245,816,906	(157,447,924)	-64.05%	210,106,515	(130,408,925)	-62.07%
<b>Total</b>	<b>1,001,589,113</b>	<b>(181,295,022)</b>		<b>859,577,941</b>	<b>(174,763,627)</b>	

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 27 Financial instruments (continued)

#### (c) Credit risk (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	As at 31 March 2018 AED	As at 31 March 2017 AED
Opening balance	174,763,627	255,244,262
Impairment loss for the year	61,093,575	200,237,096
Impairment loss adjusted against trade receivables	(54,562,180)	(280,717,731)
Closing balance	<b>181,295,022</b>	<b>174,763,627</b>

The movement in the allowances for impairment in respect of unbilled revenue during the year was as follows:

	As at 31 March 2018 AED	As at 31 March 2017 AED
Opening balance	-	16,275,346
Impairment loss for the year	-	632,076
Write offs	-	(16,907,422)
Closing balance	-	-

#### (d) Liquidity risk

The following are the contractual maturities of financial liabilities and excluding the impact of offsetting of

Financial liabilities	In AED			
	Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year
<b>31 March 2018</b>				
Trade and other payables	739,093,963	(739,093,963)	(739,093,963)	-
Dividend payable	3,811,875	(3,811,875)	(3,811,875)	-
Bank borrowings	1,128,876,032	(1,128,876,032)	(371,824,781)	(757,051,251)
Due to related parties	31,134,745	(31,134,745)	(31,134,745)	-
<b>Total</b>	<b>1,902,916,615</b>	<b>(1,902,916,615)</b>	<b>(1,145,865,364)</b>	<b>(757,051,251)</b>
<b>31 March 2017</b>				
Trade and other payables	650,387,859	(650,387,859)	(650,387,859)	-
Dividend payable	12,931,035	(12,931,035)	(12,931,035)	-
Bank borrowings	1,056,248,387	(1,056,248,387)	(420,426,070)	(635,822,317)
Due to related parties	34,835,335	(34,835,335)	(34,835,335)	-
<b>Total</b>	<b>1,754,402,616</b>	<b>(1,754,402,616)</b>	<b>(1,118,580,299)</b>	<b>(635,822,317)</b>

#### (e) Currency risk

Currency risk faced by the Group is minimal as the Group is not exposed to significant foreign currency exposure and most of the currencies the Group deals in are pegged to the US Dollar. Transactions in Kuwaiti Dinar, INR and Philippines Peso are limited.

#### (f) Interest rate risk

The Group adopts a policy of ensuring that some of its interest rate risk exposure is at a fixed rate. This is achieved partly by using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

#### Financial liabilities (bank borrowings excluding finance lease)

	As at 31 March 2018 AED	As at 31 March 2017 AED
Fixed rate instrument (bank borrowings)	(50,969,825)	(182,722,824)
Variable rate instrument (bank borrowings)	(1,077,906,207)	(873,525,563)
<b>Total</b>	<b>(1,128,876,032)</b>	<b>(1,056,248,387)</b>

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 27 Financial instruments (continued)

#### (g) Derivative financial instrument

The table below shows the positive fair values of derivative financial instrument, which is equivalent to the market value, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivative is measured. The notional amount indicates the volume of transactions outstanding at the reporting date and are neither indicative of the market risk nor credit risk.

	2018		2017	
	Fair value AED	Notional amount AED	Fair value AED	Notional amount AED
Interest rate swap	3,383,103	257,250,000	-	-

The long-term loan agreement of the Group carries interest at 1 month LIBOR plus applicable margins. In the current year, the Group has entered into separate interest rate swap agreement ("IRS"), whereby, the Group has agreed to pay the bank a fixed interest in the range of 1.73-2.44% and receive LIBOR, based on the notional amounts as agreed in the IRS agreement.

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed-rate financial liabilities at FVTPL. Therefore, a change in interest rate at the reporting date would not affect the consolidated profit or loss. A change in 100 basis points in interest rates would have increased or decreased equity by AED 509,698 (2017: AED 1,827,228). This analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (BP) in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Effect in AED	
	Profit or loss/ 100 BP increase	Equity 100 BP decrease
31 March 2018		
Variable rate instruments	(10,779,062)	10,779,062
31 March 2017		
Variable rate instruments	(8,735,256)	8,735,256

## **Aster DM Healthcare FZC and its subsidiaries**

Notes to the consolidated financial statements (continued)

### **28 Accounting estimates and judgments**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **a) Impairment losses on receivables**

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. The Group recognises loss allowances for ECLs on financial assets measured at amortised cost at an amount equal to lifetime ECL. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### **b) Impairment losses on inventories**

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the consolidated profit or loss, the Group makes judgments as to whether there is any observable data indicating that there are future adverse factors affecting the saleability of the product and the net realizable value for such product. Accordingly, provision for impairment is made where the net realizable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on its ageing and past movement.

#### **c) Goodwill impairment**

The impairment test is based on the "value in use" calculation. These calculations use cash flow projections based on actual operating results and future expected performance. Cash flow projections beyond five years are extrapolated using a growth rate, which is considered appropriate considering the nature of the industry and the general growth in economic activity being witnessed in the location/region where these entities operate.

#### **Key assumptions used in value in use calculations**

The following describes each key assumption on which the cash flow projections were based to undertake impairment testing of goodwill.

**Budgeted free cash flows** - The budget free cash flows were determined using the management business plan for the 5 year period. The business plan was approved by the Board of Directors.

**Discount rates** - These represent the cost of capital determined by management based on its bank borrowings rates, adjusted for country and market risk factors.

#### **Sensitivity to changes in assumptions**

With regard to the assessment of value in use of the above cash-generating units, management believes that no reasonable possible change in any of the above key assumptions will cause the carrying value of the unit to materially exceed its recoverable amount.

#### **d) Impairment of property, plant and equipment**

The recoverable amount of property, plant and equipment is based on the "value in use" calculation. Provision for impairment is made where the net realizable value is less than the carrying value, based on best estimates by the management.

#### **e) Actuarial assumption**

Refer note 22 for key actuarial assumptions used in measurement of defined benefit obligations.

#### **f) Contingent consideration**

Refer note 27 (b) for details of fair value assumptions used for valuation of contingent consideration.

## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 29 List of subsidiaries and associates

The consolidated financial statements of the Group includes subsidiaries listed in the table below:

SI No	Entity name	Country of incorporation	Principal activity	31 March 2018	31 March 2017
				Effective holding	Effective holding
1	Aster Day Surgery Centre LLC (formerly known as Aster IVF and Women Clinic LLC)	UAE	Clinic	82%	82%
2	Al Rafa Medical Centre LLC	UAE	Clinic	51%	51%
3	Asma Pharmacy LLC	UAE	Pharmacy	50%	50%
4	Dar Al Shifa Medical Centre LLC	UAE	Clinic	51%	51%
5	DM Healthcare LLC	UAE	Clinic	100%	100%
6	DM Pharmacies LLC	UAE	Pharmacy	100%	100%
7	Dr Moopens Healthcare Management Services LLC	UAE	Management company	100%	100%
8	Dr. Moopens Medical Clinic LLC	UAE	Clinic	71%	71%
9	Eurohealth Systems FZ LLC	UAE	Healthcare consultancy	100%	100%
10	Ibn Alhatham Pharmacy LLC	UAE	Pharmacy	NA	100%
11	Maryam Pharmacy LLC	UAE	Pharmacy	NA	100%
12	Med Shop Drugs Store LLC	UAE	Drug store	100%	100%
13	Medcare Hospital LLC	UAE	General Hospital	80%	80%
14	Medshop Garden Pharmacy LLC	UAE	Pharmacy	100%	100%
15	Modern Dar Al Shifa Pharmacy LLC	UAE	Pharmacy	51%	51%
16	Rafa Pharmacy LLC	UAE	Pharmacy	100%	100%
17	Shindagha Pharmacy LLC	UAE	Pharmacy	90%	100%
18	Union Pharmacy LLC	UAE	Pharmacy	75%	75%
19	Aster Pharmacies Group LLC	UAE	Pharmacy	100%	100%
20	Alfa Drug Stores LLC	UAE	Pharmacy	100%	100%
21	Aster Al Shafar Pharmacies Group LLC	UAE	Pharmacy	51%	51%
22	New Aster Pharmacy DMCC	UAE	Pharmacy	100%	100%
23	Symphony Healthcare Management Services LLC	UAE	Management company	100%	100%
24	Zabeel Pharmacy LLC**	UAE	Pharmacy	100%	100%
25	Aster Pharmacy LLC, AUH	UAE	Pharmacy	51%	51%
26	Al Shafar Pharmacy LLC (AUH)**	UAE	Pharmacy	100%	100%
				51%	51%



## Aster DM Healthcare FZC and its subsidiaries

Notes to the consolidated financial statements (continued)

### 29 List of subsidiaries and associates (continued)

SI No	Entity	Country of incorporation	Principal activity	31 March 2018		31 March 2017	
				Effective holding	Effective holding	Effective holding	Effective holding
27	Aster Grace Nursing and Physiotherapy LLC	UAE	Clinic	60%	60%	60%	60%
28	Aster Medical Centre LLC**	UAE	Clinic	90%	90%	90%	90%
29	Aster Opticals LLC	UAE	Pharmacy	60%	60%	60%	60%
30	Al Rafa Investments Limited	UAE	Investment in commercial enterprise and management	100%	100%	100%	100%
31	Al Rafa Holdings Limited	UAE	Investment in commercial enterprise and management	100%	100%	100%	100%
32	Harley Street LLC	UAE	Management company	60%	60%	60%	60%
33	Harley Street Pharmacy LLC	UAE	Pharmacy	60%	60%	60%	60%
34	Harley Street Medical Centre LLC	UAE	General Hospital	60%	60%	60%	60%
35	Al Raffah Hospital LLC	Oman	General Hospital	100%	100%	100%	100%
36	Al Raffah Medical Centre LLC	Oman	Clinic	100%	100%	100%	100%
37	Dr. Moopen's Healthcare Management Services WLL	Qatar	Clinic	99%	99%	99%	99%
38	Welcare Polyclinic W.L.L	Qatar	Clinic	50%	50%	50%	50%
40	Dr. Moopens Aster Hospital WLL	Qatar	Clinic	99%	99%	99%	99%
41	Sanad Al Rahma for Medical Care LLC	Qatar	General Hospital	97%	97%	97%	97%
42	Aster Kuwait for Medicine and Medical Supplies Company W.L.L. (formerly known as Aster Kuwait General Trading Co WLL)	Kingdom of Saudi Arabia Kuwait	General Hospital Pharmacy	97% 54%	97% 54%	97% 54%	97% 54%
43	Orange Pharmacies LLC	Jordan	Pharmacy	51%	51%	51%	51%
44	Aster DM Healthcare SPC	Bahrain	Pharmacy	100%	100%	100%	100%
45	Aster DM Healthcare INC	Philippines	Clinic	90%	90%	90%	90%
46	Al Raffah Pharmacies Group LLC	Oman	Pharmacy	100%	100%	100%	100%
47	Harley Street Dental LLC #	UAE	Clinic	50%	50%	50%	50%
48	Aster DCC Pharmacy LLC	UAE	Pharmacy	70%	70%	70%	70%

\* Although the percentage of voting rights as a result of legal holding by the Company is not more than 30% in certain entities listed above, the Company has the power to appoint majority of the Board of Directors of those entities as to obtain substantially all the returns related to their operations and net assets and has the ability to direct that activities that most significantly affect these returns. Consequently, all the entities listed above have been consolidated for the purposes of the preparation of these consolidated financial statements.

\*\* represents subsidiaries which are in the process of being wound-up.

# represents entities acquired during the year.

Note: During the current year, the Group completed winding-up of its non operational subsidiaries, and recognised the following:

- Impairment loss of Goodwill - AED 500,000 charged to profit and loss; and
- Reclassification of legal reserve & other components of equity to retained earning - AED 306,055.

### Associates

SI No	Entity	Country of incorporation	Principal activity	% equity interest	
				31 March 2018	31 March 2017
1	Aries Holdings FZC	UAE	Investment in commercial enterprise and management	25%	25%
2	AAQ Healthcare Investment LLC	UAE	Investment in commercial enterprise and management	33%	33%

### 30 Comparative figures

Certain comparative figures have been reclassified / regrouped, wherever necessary, to conform to the presentation adopted in these consolidated financial statements. None of these adjustments have an impact on previously reported profit, net assets or equity of the Group.