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Independent auditors' report to the members of
Al-`Aqar Healthcare REIT and its subsidiaries (contd.)
(Incorporated in Malaysia)

Responsibilities of the Manager and Trustee for the financial statements (cont'd.)

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund 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 approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, 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 and the Fund's internal control.

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Independent auditors' report to the members of
Al-`Aqar Healthcare REIT and its subsidiaries (contd.)
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager'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 or the Fund'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 financial statements of the Group and of the Fund 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 or the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund 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 financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent auditors' report to the members of
Al-`Aqar Healthcare REIT and its subsidiaries (cont'd.)
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

Other matters

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ismed Darwis bin Bahatiar
02921/04/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
24 February 2022

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Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of comprehensive income
For the year ended 31 December 2021

	Note	The Group 2021 RM	The Group 2020 RM	The Fund 2021 RM	The Fund 2020 RM
Revenue	4	114,072,501	115,710,279	104,245,507	103,918,211
Property expenses	5	(5,850,628)	(6,096,053)	(5,840,129)	(5,943,869)
Gross profit		108,221,873	109,614,226	98,405,378	97,974,342
Investment revenue	6	623,104	1,011,305	7,382,380	8,868,611
Realised gain on foreign exchange		11,182	-	11,182	-
Unrealised gain on foreign exchange		-	736,084	-	736,084
Other income		532,331	1,414,273	532,303	1,414,273
Fair value adjustment of investment properties		5,536,199	(47,772,461)	5,536,199	(5,423,801)
Total income		114,924,689	65,003,427	111,867,442	103,569,509
Expenditure					
Finance costs:					
Islamic financing		26,437,736	34,791,725	16,658,697	4,382,605
Amount due to a subsidiary		-	-	10,328,925	30,629,294
Transaction cost	18	1,567,034	462,365	1,017,149	242,192
Manager's fees		1,845,342	1,837,356	1,845,342	1,837,356
Professional fees		892,748	270,677	683,542	119,050
Valuation fees		552,023	584,800	552,023	584,800
Directors fees		23,409	25,350	-	-
Trustee's fees		385,343	393,361	385,343	393,361
Maintenance of property		1,712,287	1,070,388	1,712,287	1,070,388
Printing expenses		121,980	74,766	119,370	73,070
Secretarial fee		1,876	286	-	-
Securities Commission's fees		100	100	100	100
Registrar's fee		-	(3,649)	-	(3,649)
Audit fees					
- Current year		249,614	232,606	127,000	118,000
- Underprovision in prior year		-	10,000	-	-
- Other services		10,000	10,000	10,000	10,000
Tax agent's fee		15,520	10,000	14,720	16,200

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of comprehensive income
For the year ended 31 December 2021 (cont'd.)

	Note	The Group 2021 RM	The Group 2020 RM	The Fund 2021 RM	The Fund 2020 RM
Expenditure (cont'd.)					
Unrealised loss on foreign exchange		146,339	-	146,339	-
Administration expenses		1,683,784	1,011,039	1,096,372	751,001
Allowance for impairment loss of investment in a subsidiary	11	-	-	24,058,753	4,000,000
Allowance for expected credit loss on amount due from a subsidiary		-	-	1,303,019	-
Derecognition of past lease receivables	12	5,806,073	9,801,166	4,514,732	8,423,133
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		675,928	785,731	675,928	785,731
Shariah adviser's fee		11,000	6,000	11,000	6,000
Total expenditure		42,143,136	51,379,067	65,265,641	53,443,632
Profit before tax		72,781,553	13,624,360	46,601,801	50,125,877
Tax credit/(expense)	7	768,296	(1,052,958)	768,296	(2,534,162)
Profit for the year		73,549,849	12,571,402	47,370,097	47,591,715
Profit for the year					
Realised		65,218,589	56,984,413	64,400,609	55,137,270
Unrealised		8,331,260	(44,413,011)	(17,030,512)	(7,545,555)
		73,549,849	12,571,402	47,370,097	47,591,715
Earnings per unit (sen):	8				
Basic		9.99	1.71		

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of comprehensive income
For the year ended 31 December 2021 (cont'd.)

	The Group 2021 RM	2020 RM	The Fund 2021 RM	2020 RM
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):				
Foreign currency translation, representing total other comprehensive income for the year, net of tax	(2,487,531)	12,001,396	-	-
Total comprehensive income for the year, net of tax	71,062,318	24,572,798	47,370,097	47,591,715

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2021

	Note	The Group 2021 RM	The Group 2020 RM	The Fund 2021 RM	The Fund 2020 RM
Assets					
Non-current assets					
Investment properties	10	1,538,210,398	1,534,501,049	1,451,912,398	1,446,376,199
Investment in subsidiaries	11	-	-	3,433,433	27,492,186
Amounts due from a subsidiary	13	-	-	99,147,701	99,147,701
Trade receivables	12	-	5,373,102	-	-
		1,538,210,398	1,539,874,151	1,554,493,532	1,573,016,086
Current assets					
Trade receivables	12	36,106,493	25,280,289	16,292,030	9,703,257
Other receivables and prepaid expenses	12	574,587	159,066	574,123	132,537
Amounts due from subsidiaries	13	-	-	23,161,870	17,078,522
Islamic fixed deposits with licensed banks	14	40,503,678	36,276,092	40,465,247	16,518,131
Cash and bank balances	14	49,337,838	46,396,739	29,809,806	31,395,992
		126,522,596	108,112,186	110,303,076	74,828,439
Total assets		1,664,732,994	1,647,986,337	1,664,796,608	1,647,844,525
Total unitholders' fund and liabilities					
Unitholders' fund					
Unitholders' capital	19	731,398,126	731,398,126	731,398,126	731,398,126
Undistributed income		221,625,961	217,626,683	214,020,783	236,201,257
Foreign currency translation reserve		(8,022,179)	(5,534,648)	-	-
Total unitholders' fund		945,001,908	943,490,161	945,418,909	967,599,383

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2021 (cont'd.)

	Note	The Group 2021 RM	The Group 2020 RM	The Fund 2021 RM	The Fund 2020 RM
Non-current liabilities					
Deferred tax liabilities	17	1,765,866	2,534,162	1,765,866	2,534,162
Other payables	15	13,475,204	9,521,423	13,475,204	9,521,423
Amount due to a subsidiary	16	-	-	-	555,233,358
Islamic financing	18	683,876,967	109,069,690	683,876,967	109,069,690
		699,118,037	121,125,275	699,118,037	676,358,633
Current liabilities					
Other payables	15	20,613,049	8,853,336	20,259,662	3,886,509
Islamic financing	18	-	574,517,565	-	-
		20,613,049	583,370,901	20,259,662	3,886,509
Total liabilities		719,731,086	704,496,176	719,377,699	680,245,142
Total unitholders' fund and liabilities		1,664,732,994	1,647,986,337	1,664,796,608	1,647,844,525
Number of units in circulation	19	735,985,088	735,985,088	735,985,088	735,985,088
Net asset value ("NAV")					
- before income distribution		945,001,908	943,490,161	945,418,909	967,599,383
- after income distribution		931,754,176	918,098,675	932,171,177	942,207,897
NAV per unit					
- before income distribution		1.28	1.28	1.28	1.31
- after income distribution		1.27	1.25	1.27	1.28

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of changes in net asset value
For the year ended 31 December 2021

	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Foreign currency translation reserve RM	Total unitholders' fund RM
The Group							
At 1 January 2020		731,398,126	49,753,542	194,897,716	244,651,258	(17,536,044)	958,513,340
Profit for the year		-	56,984,413	(44,413,011)	12,571,402	-	12,571,402
Other comprehensive income		-	-	-	-	12,001,396	12,001,396
Total comprehensive income/(loss)		-	56,984,413	(44,413,011)	12,571,402	12,001,396	24,572,798
Transactions with unitholders:							
Income distributions	9	-	(39,595,977)	-	(39,595,977)	-	(39,595,977)
At 31 December 2020		731,398,126	67,141,978	150,484,705	217,626,683	(5,534,648)	943,490,161

* Distributable

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of changes in net asset value
For the year ended 31 December 2021 (cont'd.)

	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Foreign currency translation reserve RM	Total unitholders' fund RM
The Group (cont'd.)							
At 1 January 2021		731,398,126	67,141,978	150,484,705	217,626,683	(5,534,648)	943,490,161
Profit for the year		-	65,218,589	8,331,260	73,549,849	-	73,549,849
Other comprehensive income		-	-	-	-	(2,487,531)	(2,487,531)
Total comprehensive income/(loss)		-	65,218,589	8,331,260	73,549,849	(2,487,531)	71,062,318
Transactions with unitholders:							
Income distributions	9	-	(69,550,571)	-	(69,550,571)	-	(69,550,571)
At 31 December 2021		731,398,126	62,809,996	158,815,965	221,625,961	(8,022,179)	945,001,908

* Distributable

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of changes in net asset value
For the year ended 31 December 2021 (cont'd.)

	Note	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Total unitholders' fund RM
The Fund						
At 1 January 2020		731,398,126	50,301,128	177,904,391	228,205,519	959,603,645
Total comprehensive income/(loss)		-	55,137,270	(7,545,555)	47,591,715	47,591,715
Transactions with unitholders:						
Income distributions	9	-	(39,595,977)	-	(39,595,977)	(39,595,977)
At 31 December 2020		731,398,126	65,842,421	170,358,836	236,201,257	967,599,383
At 1 January 2021		731,398,126	65,842,421	170,358,836	236,201,257	967,599,383
Total comprehensive income/(loss)		-	64,400,609	(17,030,512)	47,370,097	47,370,097
Transactions with unitholders:						
Income distributions	9	-	(69,550,571)	-	(69,550,571)	(69,550,571)
At 31 December 2021		731,398,126	60,692,459	153,328,324	214,020,783	945,418,909

* Distributable

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2021

	The Group		The Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities				
Profit before tax	72,781,553	13,624,360	46,601,801	50,125,877
Adjustments for:				
Finance costs	28,004,770	35,254,090	28,004,771	35,254,091
Investment revenue	(623,104)	(1,011,305)	(7,382,380)	(8,868,611)
Interest accretion on tenant deposits	1,018,526	140,228	1,018,526	140,228
Amortisation of deferred income	(347,829)	(972,751)	(347,829)	(972,751)
Allowance for impairment loss in investment in subsidiaries	-	-	24,058,753	4,000,000
Allowance for expected credit loss on amount due from a subsidiary	-	-	1,303,019	-
Fair value adjustment of investment properties	(5,536,199)	47,772,461	(5,536,199)	5,423,801
Unrealised loss/(gain) on foreign exchange	146,339	(736,084)	146,339	(736,084)
Unbilled rental income	(2,843,801)	(2,843,801)	(2,843,801)	(2,843,801)
Derecognition of past lease receivables	5,806,073	9,801,166	4,514,732	8,423,133
Operating profit before working capital changes	98,406,328	101,028,364	89,537,732	89,945,883
Changes in working capital:				
Increase in trade receivables	(8,415,374)	(24,343,284)	(8,259,704)	(10,443,992)
(Increase)/Decrease in other receivables and prepaid expenses	(362,818)	3,330,148	(388,883)	3,330,148
(Decrease)/Increase in other payables and accrued expenses	(1,047,592)	2,610,999	3,565,848	2,713,434
Net changes in working capital	(9,825,784)	(18,402,137)	(5,082,739)	(4,400,410)
Net cash generated from operating activities	88,580,544	82,626,227	84,454,993	85,545,473

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2021 (cont'd.)

	The Group		The Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from investing activities				
Income received on investment	570,401	1,038,738	570,401	1,022,211
Profit sharing on advances from a subsidiary in Australia	-	-	675,928	785,731
Enhancement to investment properties	-	(2,400,000)	-	(2,400,000)
Net cash generated from/(used in) investing activities	570,401	(1,361,262)	1,246,329	(592,058)
Cash flows from financing activities				
Finance costs paid on Islamic financing	(25,067,049)	(34,720,137)	(15,288,010)	(4,311,017)
Finance costs paid on amount due to a subsidiary	-	-	(10,328,925)	(30,629,294)
Transaction costs paid	(6,277,322)	(404,744)	(6,209,872)	(403,078)
Decrease in amount due to a subsidiary	-	-	(556,536,377)	(344,359)
Income distributions	(54,830,869)	(54,021,285)	(54,830,869)	(54,021,285)
Increase in restricted cash	14,637,954	(1,245,005)	(5,114,323)	(771,438)
Net proceeds from Islamic financing	5,000,000	94,050	580,000,000	94,050
Net cash used in financing activities	(66,537,286)	(90,297,121)	(68,308,376)	(90,386,421)

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2021 (cont'd.)

	The Group 2021 RM	The Group 2020 RM	The Fund 2021 RM	The Fund 2020 RM
Net changes in cash and cash equivalents	22,613,659	(9,032,156)	17,392,946	(5,433,006)
Effects of changes in exchange rates	(660,681)	1,970,082	-	-
Effects of foreign currency translation on cash and cash equivalents	(146,339)	736,084	(146,339)	736,084
Cash and cash equivalents at beginning of year	61,149,116	67,475,106	46,142,685	50,839,607
Cash and cash equivalents at end of year (Note 14)	82,955,755	61,149,116	63,389,292	46,142,685

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2021

1. Corporate information

Al-`Aqar Healthcare REIT (the "Fund") is a Malaysian domiciled Islamic Real Estate Investment Trust constituted pursuant to a Trust Deed ("Principal Trust Deed") dated 27 June 2006 between Damansara REIT Managers Sdn Berhad (the "Manager") and Amanah Raya Berhad. Pursuant to the Principal Trust Deed, the Fund entered into a Supplemental Trust Deed dated 14 May 2010 with Amanah Raya Berhad and AmanahRaya Trustees Berhad (the "Trustee") for the retirement of Amanah Raya Berhad from acting as a Trustee and for the appointment of AmanahRaya Trustees Berhad as the new Trustee for the Fund. The Fund is regulated by the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Rules of the Depository, and taxation laws and rulings of Malaysia. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Deed.

The Fund was listed on the Main Board of Bursa Malaysia on 10 August 2006 and commenced its business operations on 17 August 2006. Consequent to the new board structure implemented by Bursa Malaysia on 3 August 2010, the Fund is now listed on the Main Market of Bursa Malaysia.

On 26 April 2013, at the Extraordinary General Meeting, the unitholders of the Fund approved the proposed amendments and consolidation of the Trust Deed and Supplemental Trust Deed into a Restated Trust Deed. The Restated Trust Deed was executed on 31 July 2013 and was lodged with the Securities Commission on 11 November 2013. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Restated Trust Deed.

On 17 April 2019, at the Annual General Meeting, the unitholders of The Fund approved the proposed amendments of the Restated Trust Deed dated 31 July 2013. The Second Restated Trust Deed was executed and lodged with the Securities Commission on 25 November 2019. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Second Restated Trust Deed.

The Manager is a company incorporated in Malaysia and is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, a company incorporated in Malaysia. The directors of the Manager consider Johor Corporation as the ultimate holding corporation of the Manager, a body corporate established under the Johor Corporation Enactment No 4, 1968 (as amended by the Enactment No. 5, 1995).

The ultimate holding corporation of the Fund is Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995).

Al-`Aqar Healthcare REIT and its subsidiaries
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1. Corporate information (cont'd.)

The principal activity of the Group and the Fund is to invest in Shariah-compliant properties with the primary objective of providing unitholders with stable income distributions per unit and potential for sustainable long-term growth of such distributions and net asset value per unit.

The registered office of the Manager is located at Level 14, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

The principal place of business of the Manager is located at Unit 1-19-02, Level 19, Block 1, V SQUARE, Jalan Utara, 46200 Petaling Jaya, Selangor, Malaysia.

The Fund has entered into several service agreements in relation to the management of the Fund and its property operations. The fees structure of these services is as follows:

(i) Maintenance and management fee

The maintenance manager, Healthcare Technical Services Sdn Bhd, is entitled to an annual maintenance and management fee of up to 0.08% of the gross value of the investment properties in respect of the management of the investment properties owned by the Fund in accordance with the Property Maintenance Agreement. The fee is calculated on a monthly accrual basis.

(ii) Manager's fee

Pursuant to the Second Restated Trust Deed dated 25 November 2019, the Manager is entitled to receive the following fees from the Fund:

(a) Management fee of 0.1% per annum of the gross assets value of the Fund that is below RM1,000,000,000 and 0.125% of the gross assets value of the Fund that exceeds RM1,000,000,000 calculated based on monthly accrual basis and payable monthly in arrears;

The management fee for the current financial year is RM1,845,342 (2020: RM1,837,356).

(b) An acquisition fee of 1% of the acquisition price of any investment property purchased directly or indirectly by the Fund which is payable after the completion of the acquisition; and

There is no acquisition fee paid to the Manager during the current and previous financial year

Al-`Aqar Healthcare REIT and its subsidiaries
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1. Corporate information (cont'd.)

(ii) Manager's fee (cont'd.)

Pursuant to the Second Restated Trust Deed dated 25 November 2019, the Manager is entitled to receive the following fees from the Fund (cont'd.):

(c) A disposal fee of 0.5% of the disposal price of any investment property to be disposed directly or indirectly by the Fund which is payable upon completion of the disposal.

There is no disposal fee paid to the Manager during the current and previous financial years.

(iii) Trustee's fee

Pursuant to the Second Restated Trust Deed dated 25 November 2019, the Trustee is entitled to receive a fee of up to 0.04% per annum of the net asset value of the Fund, calculated based on the monthly accrual basis and payable monthly in arrears.

The Trustee's fees for the financial year ended 31 December 2021 of RM385,343 (2020: RM393,361).

The financial statements of the Group and of the Fund were authorised by the board of directors of the Manager for issuance on 24 February 2022.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Fund have been prepared in accordance with the applicable provisions of the Second Restated Trust Deed dated 25 November 2019, Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board and International Financial Reporting Standards. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities.

The financial statements of the Group and the Fund are prepared under the historical cost basis except for investment properties and applicable financial instruments that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia ("RM") except when otherwise stated.

Al-`Aqar Healthcare REIT and its subsidiaries
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except in the current period, the Group and the Fund adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2021:

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021

The adoption of the above new and amended MFRS did not have any significant financial impact to the Group and the Fund.

2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective are disclosed below. The Group and the Fund intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendment to MFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023

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2. Significant accounting policies (cont'd.)

2.3 Standards and interpretations issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group and the Fund expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of application.

2.4 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the reporting date.

The financial statements of the subsidiaries are prepared for the same reporting date as the Fund, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The Group controls an investee if and only if the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Basis of consolidation (cont'd.)

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Group, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

When the Group loses control of a subsidiary, a gain or loss calculated as the differences between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is loss is regarded as the cost on initial recognition of the investment.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Basis of consolidation (cont'd.)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. Under the acquisition method, the identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date.

Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

In business combinations achieved in stages, previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Investment in subsidiaries – separate financial statements

In the Fund's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Functional currency

The Group's consolidated statements are presented in RM, which is also the functional currency of the Fund. All transactions are recorded in RM. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

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

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

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

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

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

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Functional currency (cont'd.)

(ii) Consolidated financial statement

For consolidation purposes, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of OCI relating to that particular operation is recognised in profit or loss.

(c) Investment properties

Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property comprises principally hospitals and universities that are not occupied substantially for use by, or in the operations of the Group and the Fund, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and (only in case of investment property held under a lease) initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. The fair values were determined based on the capitalisation of net income method ("investment method") and is premised on the principle that the value of an income-producing property is represented by the "present worth of future rights to income, or utility". The valuation is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(c) Investment properties (cont'd.)

For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is:

(i) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments;

(ii) In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

Investment property is derecognised either when it has been disposed of (i.e. at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in MFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group and the Fund consider the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in MFRS 15.

(d) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition and measured either at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Fund have applied the practical expedient, the Group and the Fund initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component and therefore are measured at the transaction price determined under MFRS 15.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Fund's business model for managing financial assets refer to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

The Group and the Fund determined the classification of their financial assets as financial assets (debt instruments) at amortised cost at its initial recognition.

Subsequent measurement

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

The Group's and the Fund's financial assets at amortised cost includes trade receivables, other receivables and prepaid expenses (excluding prepayments and GST receivables), amount due from a subsidiary, fixed deposits with licensed banks, and cash and bank balances.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Financial assets (cont'd.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

(i) The rights to receive cash flows from the asset have expired; or

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

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

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

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Impairment of financial assets

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

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

For trade receivables, the Group and the Fund apply a simplified approach in calculating ECLs. Therefore, the Group and the Fund do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Fund have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Fund consider factors if a financial asset in default such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments that indicate that the Group and the Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial liabilities

Recognition and measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instruments. Financial liabilities are classified as other financial liabilities.

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

The Group's and the Fund's other financial liabilities include total payables (non-current and current, excluding deferred lease payment), amount due to a subsidiary and Islamic financing.

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Derecognition

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

(g) Offsetting of financial instruments

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

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(h) Cash and cash equivalents

Cash and Islamic short-term deposits in the statement of financial position comprise cash at banks and on hand and Islamic short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and Islamic short-term deposits, as defined above, net of restricted cash as they are considered an integral part of the Group's and the Fund's cash management.

(i) Provisions

Provisions are recognised when the Group and the Fund have a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(j) Leases

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

<u>As a lessor</u>

Leases in which the Group and the Fund do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Revenue

The Group's and the Fund's key sources of income include:

(i) Rental income

The Group and the Fund earn revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

(ii) Investment revenue

Investment revenue, which comprise income earned from Islamic fixed deposit placements and profit-sharing on advances, are recognised using the effective profit method.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(l) Income distribution

Income distributions are recognised as a liability when they are approved by Trustee and the board of directors of the Manager. Interim distributions are deducted from unitholders' funds when they are paid.

Income distribution to unitholders that are declared after the reporting period are not recognised as a liability at the end of the reporting period.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Taxation

(i) Current income tax

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

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

In accordance with Section 61A(1) of the Income Tax Act 1967, the total income of the Fund will be exempted from income tax provided that at least 90% of the total taxable income of the Fund is distributed to unitholders within two months from the end of the reporting period.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

(b) In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Taxation (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Taxation (cont'd.)

(ii) Deferred tax (cont'd.)

The Group and the Fund offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(n) Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical location which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Fund who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 24, including the factors used to identify the reportable segments and the measurement basis of segment information.

(o) Unitholders' capital and unit issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recorded at the proceeds received, net of direct issue costs.

Unitholders' capital are recorded at the proceeds received, net of direct attributable transactions costs and are classified as equity. Income distributions are recognised in equity in the period in which they are declared.

(p) Borrowing costs

Borrowing costs consists of interest and other costs that the Group and the Fund incurred in connection with the borrowing of funds. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(p) Borrowing costs (cont'd.)

Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred.

(q) Current versus non-current classification

The Group and the Fund present assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold and consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting period; or
- There is no unconditional right to defer the settlement of the liability; for at least twelve months after reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Fair value measurement

The Group and the Fund measure financial instruments such as Islamic derivatives and Shariah Compliant investment property at fair value at each balance sheet date.

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

(i) In the principal market for the asset or liability; or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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

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2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Fair value measurement (cont'd.)

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

3. Significant accounting judgements and estimates

The preparation of the Group's and the Fund's financial statements requires management to make judgements, estimates and assumptions that effect the reported amounts of the revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's and the Fund's accounting policies that have a significant effect on the amounts recognised in the financial statements.

(a) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured at fair value, the Group and the Fund have concluded that certain investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time while others are held for eventual sale. As a result, the Group and the Fund have measured deferred tax on changes in fair values of these investment properties using the corporate income tax rate or the real property gains tax rate, as appropriate.

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3. Significant accounting judgements and estimates (cont'd.)

3.2 Key sources of estimation uncertainty

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

(a) Fair value of investment properties

The Group and the Fund carry their investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group and the Fund had engaged independent professional valuers to determine the fair value and there are no material events that affect the valuation between the valuation date and financial year end.

The determined fair value of the investment properties by the independent professional valuers is most sensitive to the yield rate and discount rate. The range of the yield rate and the discount rate used in the valuation is disclosed in Note 10.

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated term yield rate, discount rate and its corresponding sensitivity result in a higher or lower fair value measurement:

	Fair value Increase/(decrease) Group		Fair value Increase/(decrease) Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Yield rate				
- 0.25%	26,152,200	52,165,915	22,670,000	48,610,000
+ 0.25%	(382,379,400)	(48,506,705)	(35,200,000)	(45,260,000)
Discount rate				
- 0.25%	21,812,200	12,655,915	18,330,000	9,100,000
+ 0.25%	(31,909,400)	(11,656,705)	(28,730,000)	(8,410,000)

(b) Contingent liabilities

Provisions are recognised when the Group and the Fund have a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made.

The Group applied judgements in reviewing the provision at each reporting date and adjusted to reflect the current best estimate of the probable outflow of economic resources will be required to settle the obligation. The details are further disclosed in Note 27.

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4. Revenue

Revenue from contract with customers comprises the following:

	Group		Fund	
	2021	2020	2021	2020
	RM	RM	RM	RM
Rental income				
Base rental income	111,228,700	112,866,478	101,401,706	101,074,410
Unbilled rental income	2,843,801	2,843,801	2,843,801	2,843,801
	114,072,501	115,710,279	104,245,507	103,918,211
Rental income from				
KPJ Ampang Puteri Specialist Hospital	9,683,806	10,144,554	9,683,806	10,144,554
KPJ Tawakkal Specialist Hospital	9,312,066	9,215,736	9,312,066	9,215,736
KPJ Damansara Specialist Hospital	8,449,417	8,914,911	8,449,417	8,914,911
KPJ Johor Specialist Hospital	8,681,833	8,690,400	8,681,833	8,690,400
KPJ Klang Specialist Hospital	7,497,643	7,426,178	7,497,643	7,426,178
KPJ Ipoh Specialist Hospital	6,337,679	5,511,162	6,337,679	5,511,162
KPJ Selangor Specialist Hospital	5,892,023	5,917,288	5,892,023	5,917,288
KPJ Penang Specialist Hospital	4,727,578	4,654,815	4,727,578	4,654,815
KPJ Seremban Specialist Hospital	5,037,555	4,944,935	5,037,555	4,944,935
KPJ Healthcare University College, Nilai	7,263,240	7,206,994	7,263,240	7,206,994
Kedah Medical Centre	3,609,167	3,594,833	3,609,167	3,594,833
KPJ Perdana Specialist Hospital	3,190,503	3,169,180	3,190,503	3,169,180
KPJ Kajang Specialist Hospital	3,538,991	3,469,599	3,538,991	3,469,599
Tawakkal Health Centre	3,378,598	3,354,022	3,378,598	3,354,022
KPJ Puteri Specialist Hospital	3,150,412	3,304,666	3,150,412	3,304,666
KPJ Sentosa KL Specialist Hospital	2,114,307	2,072,850	2,114,307	2,072,850

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4. Revenue (cont'd.)

	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Rental income from (cont'd.)				
Kuantan Wellness Centre	1,479,758	1,457,497	1,479,758	1,457,497
KPJ International College, Penang	1,196,668	1,178,250	1,196,668	1,178,250
Damai Wellness Centre	1,027,915	1,018,901	1,027,915	1,018,901
Taiping Medical Centre	738,684	733,856	738,684	733,856
KPJ Haemodialysis Kluang	304,243	304,163	304,243	304,163
KPJ Batu Pahat Specialist Hospital	7,633,421	7,633,421	7,633,421	7,633,421
Jeta Gardens Aged Care & Retirement Village	9,826,994	11,792,068	-	-
	114,072,501	115,710,279	104,245,507	103,918,211

5. Property expenses

	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Assessment	3,349,533	3,339,933	3,349,533	3,339,933
Takaful coverage	930,297	1,028,095	930,297	1,028,095
Maintenance fee	1,106,915	1,258,011	1,096,416	1,105,827
Quit rent	463,883	470,014	463,883	470,014
	5,850,628	6,096,053	5,840,129	5,943,869

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6. Investment revenue

	Group		Fund	
	2021	2020	2021	2020
	RM	RM	RM	RM
Shariah Compliant income from Islamic fixed deposits placements	623,104	1,011,305	623,104	1,011,305
Profit sharing on advances from a subsidiary in Australia	-	-	6,759,276	7,857,306
	623,104	1,011,305	7,382,380	8,868,611

7. Tax (credit)/expense

	Group		Fund	
	2021	2020	2021	2020
	RM	RM	RM	RM
Deferred tax relating to the origination and reversal of temporary differences (Note 17)	(768,296)	1,052,958	(768,296)	2,534,162