The British School - Al Khubairat
(registered as Al Khubairat Community School)

Financial statements

31 August 2021

Principal business address:
P O Box 4001
Abu Dhabi
United Arab Emirates

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(registered as Al Khubairat Community School)

Financial statements

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Independent Auditors' Report

To the Board of Governors of The British School - Al Khubairat (registered as Al Khubairat Community School).

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The British School - Al Khubairat (registered as Al Khubairat Community School) (the "School"), which comprise the statement of financial position as at 31 August 2021, the statements of changes in surplus or deficit, changes in reserve and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as at 31 August 2021, and its financial performance and its 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 Financial Statements section of our report. We are independent of the School in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the School'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 School or to cease operations, or has no realistic alternative but to do so.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School'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 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 School to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

KPMG Lower Gulf Limited

Richard Ackland
Registration no: 1015
Abu Dhabi, United Arab Emirates
Date:

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The British School - Al Khubairat

(registered as Al Khubairat Community School)

Statement of financial position

as at 31 August

	Notes	**2021 AED**	2020 AED
Assets			
Non-current asset			
Property and equipment	*8*	**76,677,824**	81,773,175
Current assets			
Fees receivable	*9*	**23,871,127**	25,079,980
Prepayments		**14,383,840**	15,290,665
Other receivables	*10*	**3,682,904**	3,634,859
Cash and bank balances	*11*	**57,869,312**	41,354,152
Total current assets		**99,807,183**	85,359,656
TOTAL ASSETS		**176,485,007**	167,132,831
Reserve and liabilities			
Reserve			
Accumulated surplus		**46,581,606**	35,984,115
Total reserve		**46,581,606**	35,984,115
Liabilities			
Non-current liabilities			
Employees' end of service benefits	*13*	**21,160,402**	18,916,027
Term loan – unsecured	*14*	**56,164,371**	60,541,126
Total non-current liabilities		**77,324,773**	79,457,153
Current liabilities			
Deferred income	*12*	**45,106,038**	44,201,851
Accounts payable		**1,139,694**	1,342,029
Other payables		**1,278,241**	1,093,028
Term loan – unsecured	*14*	**5,054,655**	5,054,655
Total current liabilities		**52,578,628**	51,691,563
Total liabilities		**129,903,401**	131,148,716
TOTAL RESERVE AND LIABILITIES		**176,485,007**	167,132,831

To the best of our knowledge, the financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the year ended 31 August 2021.

____________________ ____________________

Chairperson Honorary Treasurer

The notes set out on pages 7 to 22 form an integral part of these financial statements.

The Independent Auditors' Report is set out on pages 1 to 2.

The British School - Al Khubairat
(registered as Al Khubairat Community School)

Statement of changes in surplus or deficit
for the year ended 31 August

	Notes	**2021 AED**	2020 AED
Income			
Tuition fees	*4*	**115,233,764**	109,221,494
Other income	*5*	**1,530,336**	3,361,145
Finance income		**103,542**	277,930
Total income		**116,867,642**	112,860,569
Expenditure			
Staff costs	*6*	**(83,310,851)**	(87,539,367)
Books, stationery and equipment costs		**(1,463,241)**	(1,544,109)
Repairs and maintenance		**(5,115,297)**	(4,176,869)
Depreciation	*8*	**(8,887,341)**	(8,395,705)
Utilities		**(1,920,641)**	(1,723,228)
Miscellaneous expenses	*7*	**(3,543,603)**	(4,342,885)
Total expenditure		**(104,240,974)**	(107,722,163)
		12,626,668	5,138,406
Finance costs		**(2,029,177)**	(2,177,094)
Surplus for the year		**10,597,491**	2,961,312

The notes set out on pages 7 to 22 form an integral part of these financial statements.

The Independent Auditors' Report is set out on pages 1 to 2.

The British School - Al Khubairat
(registered as Al Khubairat Community School)

Statement of changes in reserve
for the year ended 31 August

	Accumulated surplus AED
At 1 September 2019	33,022,803
Surplus for the year	2,961,312
At 31 August 2020	35,984,115
At 1 September 2020	**35,984,115**
Surplus for the year	**10,597,491**
At 31 August 2021	**46,581,606**

The notes set out on pages 7 to 22 form an integral part of these financial statements.

The Independent Auditors' Report is set out on pages 1 to 2.

The British School - Al Khubairat
(registered as Al Khubairat Community School)

Statement of cash flows
for the year ended 31 August

	Notes	**2021 AED**	2020 AED
Cash flows from operating activities			
Surplus for the year		**10,597,491**	2,961,312
Adjustments for:			
Depreciation	*8*	**8,887,341**	8,395,705
Finance costs		**2,029,177**	2,177,094
Finance income		**(103,542)**	(277,930)
Loss / (gain) on disposal of property and equipment		**833**	(6,567)
Provision for employees' end of service benefits	*13*	**3,818,943**	5,305,483
Provision for impairment loss on fees and other Receivables	*9,10*	**663,370**	948,248
		25,893,613	19,503,345
Working capital adjustments:			
Fees receivable		**510,673**	6,575,294
Prepayments		**906,825**	389,806
Other receivables		**(13,235)**	605,256
Accounts payable		**(202,335)**	(777,796)
Other payables		**185,213**	(445,038)
Deferred income		**904,187**	286,549
Cash flows from operations		**28,184,941**	26,137,416
Employees' end of service benefits paid	*13*	**(1,574,568)**	(1,693,514)
Net cash from operating activities		**26,610,373**	24,443,902
Cash flows from investing activities			
Acquisition of property and equipment	*8*	**(3,926,397)**	(8,868,814)
Movement in fixed deposits	*11*	**(2,030,000)**	(220,667)
Proceeds from disposal of property and equipment		**133,574**	13,619
Finance income received		**103,542**	277,930
Net cash used in investing activities		**(5,719,281)**	(8,797,932)
Cash flows from financing activities			
Repayment of term loan	*14*	**(5,054,655)**	(5,054,655)
Finance cost paid		**(1,351,277)**	(1,457,698)
Net cash used in financing activities		**(6,405,932)**	(6,512,353)
Net increase in cash and cash equivalents		**14,485,160**	9,133,617
Cash and cash equivalents at 1 September		**29,384,152**	20,250,535
Cash and cash equivalents at 31 August	*11*	**43,869,312**	29,384,152

The notes set out on pages 7 to 22 form an integral part of these financial statements.
The Independent Auditors' Report is set out on pages 1 to 2.

1 Legal status and principal activities

The British School - Al Khubairat (the "School") was founded by Emiri Decree No. 5 of 1971 and registered with the Department of Economic Development in Abu Dhabi, United Arab Emirates. The School was established on the land generously donated in perpetuity by the then Ruler of Abu Dhabi, His Highness Sheikh Zayed Bin Sultan Al Nahyan.

The School is a non-profit making organisation and is registered as Al Khubairat Community School. The principal activity of the School is to provide primary and secondary education for students. The registered address of the School is at P O Box 4001, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention except for financial instruments which are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

2.3 Functional currency and presentation

These financial statements are presented in UAE Dirhams ("AED"), which is the School's functional and reporting currency. All financial information presented in AED has been rounded to the nearest Dirham, unless otherwise indicated.

2.4 Use of estimates and judgments

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 16.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Newly effective standards

During 2020, the School adopted the following IFRS standards, amendments and interpretations which are effective for annual periods beginning on or after 1 January 2020:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The adoption of the above amendments did not have a material impact on these financial statements of the School.

3.2 Other standards issued but not yet effective

Further, the School has not early adopted the following new and revised standards and accounting interpretations that are not yet mandatorily effective for the year ended 31 August 2021:

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) (1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (1 January 2022)
- Property, Plant, and Equipment: Proceeds before intended Use (Amendments to IAS 16) (1 January 2022)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (1 January 2023)
- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) (1 January 2023)
- Definition of Accounting Estimate (Amendments to IAS 8) (1 January 2023)

The adoption of any relevant standards listed above are not expected to have a material impact on these financial statements of the School.

3.3 Revenue

Revenue comprises tuition fees, registration fees and other fees related to services provided, net of discounts if any.

Tuition fees billed in advance are presented as "Deferred Income" in the statement of financial position.

Type of revenue	Performance obligation	Revenue recognition policy
Tuition fees	Tuition fees income for the teaching and curriculum services provided over the academic year.	Income from tuition fees for each term is recognised over time as and when the services are rendered.

3 Significant accounting policies *(continued)*

3.4 Finance costs

Finance costs comprise interest expense on borrowings and bank charges.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.5 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other income" in statement of profit or loss and other comprehensive income.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the School. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property and equipment are depreciated from the date they are available for use.

Depreciation is calculated to write off the cost of items of property and equipment using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

	Years
Buildings and improvements	over 10-25
Furniture and fixtures	3-6
Computers and equipment	3-5

Depreciation methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

3 Significant accounting policies *(continued)*

3.5 Property and equipment *(continued)*

Capital work in progress

The School capitalises all costs relating to the construction of property as capital work in progress, up to the date of completion and commissioning of the asset. These costs are transferred from capital work in progress to the appropriate asset classification upon completion and commissioning, and are depreciated over the useful life applicable to the respective asset category, from the date of such completion and commissioning.

3.6 Financial instruments

Financial assets and liabilities are recognised in the School's statement of financial position when the School has become a party to the contractual provisions of the instruments.

i. Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the School changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the School's continuing recognition of the assets.

Trade receivables are initially recognised as originated. All other financial assets are initially recognised when the School becomes a party to the contractual provisions of the instrument.

Financial assets - Subsequent measurement and gains and losses

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 profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

3 Significant accounting policies *(continued)*

3.6 Financial instruments (continued)

ii. Impairment of financial assets

The School recognises an allowance for expected credit losses ("ECLs") for all financial assets 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 School expects to receive, discounted at 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.

The School applies a simplified approach in calculating ECLs for trade receivables and amounts due from related parties. Therefore, the School recognises a loss allowance based on lifetime ECLs at each reporting date. The School has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The School considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the School may also consider a financial asset to be in default when internal or external information indicates that the School is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the School. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

iii. Derecognition of financial assets

The School derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the School neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the School recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the School retains substantially all the risks and rewards of ownership of a transferred financial asset, the School continues to recognise the financial asset.

3 Significant accounting policies *(continued)*

3.6 Financial instruments (continued)

iv. Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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 School are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities comprise of 'trade and other payables and amounts due to related parties'. These are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

v. Offsetting of financial instruments

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

3.7 Provisions

A provision is recognised if, as a result of a past event, the School has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.8 Employee's end of service benefits

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

4 Tuition fees

	2021		2020	
	Tuition fees	***No. of students***	*Tuition fees*	*No. of Students*
	AED		*AED*	
FS1	**5,258,364**	**124**	5,139,071	125
FS2	**6,190,149**	**127**	5,975,298	129
Y1	**6,559,352**	**126**	6,307,339	125
Y2	**6,484,143**	**124**	6,471,331	129
Y3	**7,385,018**	**140**	6,948,134	139
Y4	**7,259,521**	**138**	6,940,582	138
Y5	**7,258,430**	**138**	6,941,053	139
Y6	**7,163,769**	**137**	7,021,341	140
Y7	**9,171,509**	**135**	8,819,757	136
Y8	**9,046,128**	**133**	8,659,134	133
Y9	**9,232,987**	**137**	7,828,351	121
Y10	**9,258,124**	**131**	8,679,598	129
Y11	**8,633,978**	**122**	8,172,574	121
Y12	**9,245,548**	**131**	6,902,128	103
Y13	**7,086,744**	**101**	8,415,803	125
	115,233,764	**1,944**	109,221,494	1,932

5 Other income

	2021	2020
	AED	AED
Income from instrumental scheme	**1,444,201**	1,712,842
Letting income	**-**	987,996
Others	**86,135**	660,307
	1,530,336	3,361,145

6 Staff costs

	2021	2020
	AED	AED
Salaries and wages	**52,889,709**	57,288,513
Provision for employees' end of service benefits *(note 13)*	**3,818,943**	5,305,483
Accommodation	**15,767,799**	15,942,366
Travelling	**1,241,148**	1,473,098
Others	**9,593,252**	7,529,907
	83,310,851	87,539,367

7 Miscellaneous expenses

	2021 AED	2020 AED
Security costs	**997,896**	822,414
Events and trips	**72,801**	264,491
Communication	**358,024**	428,776
Municipality charges	**234,590**	247,750
Computer consumables	**124,309**	245,128
Provision for impairment loss on fees receivable	**698,180**	732,148
(Write-back) / Provision for impairment loss on other receivables	**(34,810)**	216,100
Others	**1,092,613**	1,631,206
	3,543,603	4,342,885

8 Property and equipment

Details of property and equipment are set out in Schedule I on page 22.

9 Fees receivable

	2021 AED	2020 AED
Fees receivable	**25,327,921**	25,838,594
Less: provision for impairment of fees receivable	**(1,456,794)**	(758,614)
	23,871,127	25,079,980

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the School to obtain collateral over receivables and the receivables are, therefore, unsecured.

Movement in the provision for impairment loss on fees receivables is as follows:

	2021 AED	2020 AED
At 1 September	**758,614**	26,466
Charge	**888,133**	732,148
Recovered during the year	**(189,953)**	-
At 31 August	**1,456,794**	758,614

10 Other receivables

	2021 AED	2020 AED
Other receivables	**3,864,194**	3,850,959
Less: provision for impairment of other receivables	**(181,290)**	(216,100)
	3,682,904	3,634,859

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the School to obtain collateral over receivables and the receivables are, therefore, unsecured.

Movement in the provision for impairment loss on other receivables is as follows:

	2021 AED	2020 AED
At 1 September	**216,100**	-
Charge	**-**	216,100
Recovered during the year	**(34,810)**	-
At 31 August	**181,290**	216,100

11 Cash and bank balances

	2021 AED	2020 AED
Cash in hand	**187,005**	2,004,845
Cash at banks – Current accounts	**43,682,307**	27,345,545
Cash at banks – Fixed deposits	**14,000,000**	12,003,762
	57,869,312	41,354,152
Bank deposits with original maturities in excess of three months	**(14,000,000)**	(11,970,000)
	43,869,312	29,384,152

During the year, fixed deposits carried interest rate of 0.10% *(2020: 1.34% to 2.43%)* per annum.

12 Deferred income

Deferred income pertains to income from tuition fees, entrance fees and other school fees billed in advance for the forthcoming academic year.

13 Employees' end of service benefits

Movement in the employees' end of service benefits is as follows:

	2021	2020
	AED	AED
At 1 September	**18,916,027**	15,304,058
Charge for the year *(note 6)*	**3,818,943**	5,305,483
Paid during the year	**(1,574,568)**	(1,693,514)
At 31 August	**21,160,402**	18,916,027

14 Term loan - unsecured

	2021	2020
	AED	AED
Term loan	**61,219,026**	65,595,781
Less: non-current portion	**(56,164,371)**	(60,541,126)
Current portion	**5,054,655**	5,054,655

In 2011, the School entered into a loan agreement, amounting to AED 100 million, with the Department of Finance of Abu Dhabi for the purpose of constructing a building in the school campus. The principal loan amount is repayable over a period of 18 years on an annual basis, commencing 15 November 2015. Interest on this loan is payable on a semi-annual basis. During the year, the School made repayments amounting to AED 5,054,655 *(2020: AED 5,054,655).*

The loan received at discounted interest rates has been recognised at fair value, which is computed at the present value of the future cash flows discounted using the market interest rate of 3.2% applicable to similar borrowings adjusted for the term of the loan, repayment terms and other factors. The difference between the fair value computed and the face value of the loan received at initial recognition was deducted in the carrying amount of the property and equipment.

15 Related party transactions

Related parties represent key management personnel of the School, and entities controlled, jointly controlled or significantly influenced by such parties and entities that provide key management services to the School. Pricing policies and terms of transactions with related parties are approved by the School management.

Compensation of key management personnel
The remuneration of key management personnel during the year was as follows:

	2021	2020
	AED	AED
Remuneration	**3,365,200**	3,492,862

16 Accounting estimates and judgments

In the process of applying the School's accounting policies, which are described in note 2.4, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the financial statements. Estimates and judgements 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.

Impairment losses on receivables

The School reviews its receivables to assess impairment at least on an annual basis. The School's credit risk, though limited, is primarily attributable to its receivables. In determining whether impairment losses should be recorded in the profit or loss, the School makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows on a case to case basis. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Useful lives of property and equipment

Management assigns useful lives to the items of property and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives differing from the initial estimates. Management has reviewed the useful lives of the major items of property and equipment and has concluded that no adjustment is necessary.

Impairment of property and equipment

The School reviews property and equipment to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows attributable to property and equipment. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

17 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the School's exposure to each of the above risks, the School's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The management has overall responsibility for the establishment and oversight of the School's risk management and together they are responsible for developing and monitoring the School's risk management policies.

Credit risk

Credit risk is the risk of financial loss to the School if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from fees and other receivables and cash at bank. The carrying amount of the financial assets represents the maximum credit exposure at the reporting date.

Fees and other receivables

The School's exposure to credit risk is primarily attributable to its fees and other receivables and is influenced mainly by the individual characteristics of each customer.

Management regularly reviews and assesses the credit risk and establishes an allowance for impairment that represents its estimate of incurred losses in respect of fee receivables. This allowance is made on a case by case basis and relates to individually significant exposures.

Cash and cash equivalents

The School held bank balances at 31 August 2021 amounting to AED 57,682,307 *(2020: AED 39,349,307)*, which represents its maximum credit exposure on these assets. The bank balances are held with banks which have reputable credit ratings.

Liquidity risk

Liquidity risk is the risk that the School will not be able to meet its financial obligations as they fall due. The School'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 School's reputation.

The School ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses including the servicing of financial obligations. The School maintains substantial amount of its cash resources at Abu Dhabi Commercial Bank and Standard Chartered Bank.

17 Financial risk management *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the School'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 optimising the return.

Interest rate risk

The effective rate of interest on the School's interest-bearing borrowings is linked to prevailing bank rates. The School does not hedge its interest rate exposure.

(a) 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 follows:

	2021 AED	2020 AED
Fees receivable	**23,871,127**	25,079,980
Other receivables*	**3,365,931**	3,319,924
Cash at banks	**57,682,307**	39,349,307
	84,919,365	67,749,211

*Credit risk from other receivables excludes deposits of AED 316,973 *(2020: AED 314,935).*

Fees receivable
A summary of the School's exposure to the credit risk for fees receivable is as follows:

	Gross 2021 AED	**Credit impaired 2021 AED**	Gross 2020 AED	Credit impaired 2020 AED
Not past due	**23,871,127**	**-**	25,079,980	-
Past due	**1,456,794**	**1,456,794**	758,614	758,614
Total gross carrying amount	**25,327,921**	**1,456,794**	25,838,594	758,614
Impairment loss allowance	**(1,456,794)**	**(1,456,794)**	(758,614)	(758,614)
Net credit impaired	**23,871,127**	**-**	25,079,980	-

17 Financial risk management *(continued)*

(b) Liquidity risk

The contractual maturities of financial liabilities including estimated interest payment and excluding the impact of netting agreements are set out below:

	Carrying amount AED	**Contractual cash flows AED**	**1 year or less AED**	**More than 1 year AED**
31 August 2021				
Accounts payable	**1,139,694**	**(1,139,694)**	**(1,139,694)**	**-**
Other payables	**1,278,241**	**(1,278,241)**	**(1,278,241)**	**-**
Term loan	**61,219,026**	**(74,225,738)**	**(6,333,763)**	**(67,891,975)**
	63,636,961	**(76,643,673)**	**(8,751,698)**	**(67,891,975)**

	Carrying amount AED	Contractual cash flows AED	1 year or less AED	More than 1 year AED
31 August 2020				
Accounts payable	1,342,029	(1,342,029)	(1,342,029)	-
Other payables	1,093,028	(1,093,028)	(1,093,028)	-
Term loan	65,595,781	(80,661,998)	(6,436,260)	(74,225,738)
	68,030,838	(83,097,055)	(8,871,317)	(74,225,738)

(c) Market risk

Exposure to interest rate risk

At the reporting date the interest rate profile of the School's interest-bearing financial instruments was:

	2021 AED	2020 AED
Fixed rate instruments		
Term loan	**61,219,026**	65,595,781

Fair value sensitivity analysis for fixed rate instruments

The School does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The School does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Property and equipment

Schedule I

	Buildings and improvements AED	Furniture and fixtures AED	Computers and equipment AED	Capital work-in-progress AED	Total AED
Cost					
At 1 September 2019	148,515,777	27,333,152	13,591,958	6,985,610	196,426,497
Additions	3,258,642	716,412	2,544,801	2,348,959	8,868,814
Transfers	2,732,922	31,354	-	(2,764,276)	-
Disposals	-	(58,300)	(18,330)	-	(76,630)
At 31 August 2020	**154,507,341**	**28,022,618**	**16,118,429**	**6,570,293**	**205,218,681**
At 1 September 2020	154,507,341	28,022,618	16,118,429	6,570,293	205,218,68
Additions	1,021,908	791,769	2,112,720	-	3,926,397
Disposals	-	(5,045,283)	(3,713,707)	(6,660)	(8,765,650)
At 31 August 2021	**155,529,249**	**23,769,104**	**14,517,442**	**6,563,633**	**200,379,428**
Accumulated depreciation					
At 1 September 2019	78,931,526	24,357,644	11,830,209	-	115,119,379
Charge for the year	6,014,577	1,030,348	1,350,780	-	8,395,705
Disposals	-	(58,300)	(11,278)	-	(69,578)
At 31 August 2020	**84,946,103**	**25,329,692**	**13,169,711**	**-**	**123,445,506**
At 1 September 2020	84,946,103	25,329,692	13,169,711	-	123,445,506
Charge for the year	6,163,965	881,271	1,842,105	-	8,887,341
Disposals	-	(5,042,873)	(3,588,370)	-	(8,631,243)
At 31 August 2021	**91,110,068**	**21,168,090**	**11,423,446**	**-**	**123,701,604**
Carrying amount					
At 31 August 2020	**69,561,238**	**2,692,926**	**2,948,718**	**6,570,293**	**81,773,175**
At 31 August 2021	**64,419,181**	**2,601,014**	**3,093,996**	**6,563,633**	**76,677,824**