

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

Financial statements

31 August 2022

Principal business address:

P O Box 4001
Abu Dhabi
United Arab Emirates

The British School - Al Khubairat

(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 Statement

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 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as at 31 August 2022, 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.

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.

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

- 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:

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

Statement of financial position
as at 31 August

	Notes	2022 AED	2021 AED
Assets			
Non-current asset			
Property and equipment	8	92,517,040	76,677,824
Current assets			
Fees receivable	9	22,492,316	23,871,127
Prepayments		14,971,094	14,383,840
Other receivables	10	7,654,139	3,682,904
Cash and bank balances	11	58,007,060	57,869,312
Total current assets		103,124,609	99,807,183
TOTAL ASSETS		195,641,649	176,485,007
Reserve and liabilities			
Reserve			
Accumulated surplus		56,964,006	46,581,606
Total reserve		56,964,006	46,581,606
Liabilities			
Non-current liabilities			
Employees' end of service benefits	13	21,347,070	21,160,402
Term loan – unsecured	14	51,744,786	56,164,371
Total non-current liabilities		73,091,856	77,324,773
Current liabilities			
Deferred income	12	47,493,349	45,106,038
Accounts payable		7,661,636	1,139,694
Other payables		5,376,147	1,278,241
Term loan – unsecured	14	5,054,655	5,054,655
Total current liabilities		65,585,787	52,578,628
Total liabilities		138,677,643	129,903,401
TOTAL RESERVE AND LIABILITIES		195,641,649	176,485,007

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 School as of, and for, the year ended 31 August 2022.

Chairperson

Honorary Treasurer

The notes set out on pages 8 to 27 form an integral part of these financial statements.

The independent Auditors' Report is set out on pages 1 to 3.

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	2022 AED	2021 AED
Income			
Tuition fees	4	117,335,259	115,233,764
Other income	5	1,948,199	1,530,336
Finance income		151,445	103,542
Total income		119,434,903	116,867,642
Expenditure			
Staff costs	6	(85,854,178)	(83,310,851)
Books, stationery and equipment costs		(1,580,135)	(1,463,241)
Repairs and maintenance		(5,481,879)	(5,115,297)
Depreciation	8	(8,740,114)	(8,887,341)
Utilities		(1,973,068)	(1,920,641)
Miscellaneous expenses	7	(3,539,278)	(3,543,603)
Total expenditure		(107,168,652)	(104,240,974)
		12,266,251	12,626,668
Finance costs		(1,883,851)	(2,029,177)
Surplus for the year		10,382,400	10,597,491

The notes set out on pages 8 to 27 form an integral part of these financial statements.

The independent Auditors' Report is set out on pages 1 to 3.

The British School - Al Khubairat
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Statement of changes in reserve
for the year ended 31 August

	Accumulated surplus AED
At 1 September 2020	35,984,115
Surplus for the year	10,597,491
At 31 August 2021	<u>46,581,606</u>
At 1 September 2021	46,581,606
Surplus for the year	10,382,400
At 31 August 2022	<u>56,964,006</u>

The notes set out on pages 8 to 27 form an integral part of these financial statements.

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The British School - Al Khubairat
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Statement of cash flows
for the year ended 31 August

	<i>Notes</i>	2022 AED	2021 AED
Cash flows from operating activities			
Surplus for the year		10,382,400	10,597,491
<i>Adjustments for:</i>			
Depreciation	8	8,740,114	8,887,341
Finance costs		1,883,851	2,029,177
Finance income		(151,445)	(103,542)
(Gain) / loss on disposal of property and equipment		(967)	833
Provision for employees' end of service benefits	13	4,121,801	3,818,943
(Write back)/ Provision for impairment loss on fees and other receivables	9,10	(167,389)	663,370
		24,808,365	25,893,613
<i>Working capital adjustments:</i>			
Fees receivable		1,559,949	510,673
Prepayments		(587,254)	906,825
Other receivables		(3,984,984)	(13,235)
Accounts payable		6,521,942	(202,335)
Other payables		4,097,906	185,213
Deferred income		2,387,311	904,187
Cash flows from operations		34,803,235	28,184,941
Employees' end of service benefits paid	13	(3,935,133)	(1,574,568)
Net cash from operating activities		30,868,102	26,610,373
Cash flows from investing activities			
Acquisition of property and equipment	8	(24,583,650)	(3,926,397)
Movement in fixed deposits	11	(2,000,000)	(2,030,000)
Proceeds from disposal of property and equipment		5,287	133,574
Finance income received		151,445	103,542
Net cash used in investing activities		(26,426,918)	(5,719,281)
Cash flows from financing activities			
Repayment of term loan	14	(5,054,655)	(5,054,655)
Finance cost paid		(1,248,781)	(1,351,277)
Net cash used in financing activities		(6,303,436)	(6,405,932)
Net (decrease) / increase in cash and cash equivalents		(1,862,252)	14,485,160
Cash and cash equivalents at 1 September		43,869,312	29,384,152
Cash and cash equivalents at 31 August	11	42,007,060	43,869,312

The notes set out on pages 8 to 27 form an integral part of these financial statements.
The independent Auditors' Report is set out on pages 1 to 3.

The British School - Al Khubairat

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Notes to the financial statements

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.

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Notes to the financial statements

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 2022, the School adopted the following IFRS standards, amendments and interpretations which are effective for annual periods beginning on or after 1 January 2022:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2021
- Property, Plant, and Equipment: Proceeds before intended Use (Amendments to IAS 16)
- Amendments to References to Conceptual Framework in IFRS Standards

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 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 recognition under IFRS 15:

The School recognises revenue from contracts with customers based on the five-step model set out in IFRS 15:

Step 1: Identify the contract(s) with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations in the contract

A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

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Notes to the financial statements

3 Significant accounting policies (continued)

3.3 Revenue (continued)

Step 3: Determine the transaction price

The transaction price is the amount of consideration to which the School expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract

For a contract that has more than one performance obligation, the School will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the School expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The School satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the School's performance as and when the School performs; or
- The School's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The School's performance does not create an asset with an alternative use to the School and the School has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue comprises tuition 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.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/Service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
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.

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Notes to the financial statements

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

The cost of replacing a component of property and equipment is recognised in the carrying amount of the related asset if it is probable that future economic benefits embodied within the component will flow to the School and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. The major service or maintenance cost which results in increasing the useful life or capacity of the asset will be capitalised in the same year of service.

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:

	<i>Years</i>
Buildings and improvements	over 10-25
Furniture and fixtures	3-6
Computers and equipment	3-5

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Notes to the financial statements

3 Significant accounting policies *(continued)*

3.5 Property and equipment *(continued)*

Depreciation (continued)

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

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

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. 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.

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Notes to the financial statements

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

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

Financial assets (continued)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

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

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

Financial assets – Business model assessment

The School makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the School's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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Notes to the financial statements

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

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

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the School considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the School considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the School’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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Notes to the financial statements

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

The School's financial liabilities comprise trade and other payables, accrued expenses, deferred income and other current liabilities, Term loan, and other non-current liability, which are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except, for short-term liabilities when the recognition of interest would be immaterial.

(iii) Derecognition

Financial assets

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

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

Financial liabilities

The School derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The School also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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Notes to the financial statements

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(iv) Offsetting

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

3.7 Impairment

Non-derivative financial assets

The School recognises loss allowances for Expected Credit Losses (ECL) on:

- financial assets measured at amortised cost;

Loss allowances for trade receivables are always measured at an amount equal to lifetime Expected Credit Losses (ECL).

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

The School assumes that the credit risk on a financial asset has increased significantly based on significant judgement. Specific factors management considers include the age of balance, background of the customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty.

The School considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the School in full, without recourse by the School to actions such as realising security (if any is held).

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the School is exposed to credit risk.

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Notes to the financial statements

3 Significant accounting policies *(continued)*

3.7 Impairment

Non-derivative financial assets

Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the School has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The School individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The School expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the School's procedures for recovery of amounts due.

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3 Significant accounting policies *(continued)*

3.8 Provisions

Provisions are recognised when the School has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The unwinding of the discount is recognised as finance cost.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.9 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.

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4 Tuition fees

	2022		2021	
	<i>Tuition fees</i>	<i>No. of students</i>	<i>Tuition fees</i>	<i>No. of Students</i>
	<i>AED</i>		<i>AED</i>	
FS1	5,332,293	124	5,258,364	124
FS2	6,305,380	130	6,190,149	127
Y1	6,651,214	126	6,559,352	126
Y2	6,722,351	129	6,484,143	124
Y3	7,287,405	138	7,385,018	140
Y4	7,314,101	140	7,259,521	138
Y5	7,317,468	140	7,258,430	138
Y6	7,316,572	139	7,163,769	137
Y7	9,184,387	135	9,171,509	135
Y8	8,768,415	130	9,046,128	133
Y9	9,032,228	132	9,232,987	137
Y10	9,707,007	138	9,258,124	131
Y11	9,006,141	127	8,633,978	122
Y12	8,788,739	125	9,245,548	131
Y13	8,601,558	123	7,086,744	101
	<u>117,335,259</u>	<u>1,976</u>	<u>115,233,764</u>	<u>1,944</u>

5 Other income

	2022	2021
	AED	AED
Income from instrumental scheme	1,808,086	1,444,201
Letting income	61,465	-
Others	78,648	86,135
	<u>1,948,199</u>	<u>1,530,336</u>

6 Staff costs

	2022	2021
	AED	AED
Salaries and wages	55,031,829	52,889,709
Provision for employees' end of service benefits (note 13)	4,121,801	3,818,943
Accommodation	15,268,071	15,767,799
Travelling	1,366,044	1,241,148
Others	10,066,433	9,593,252
	<u>85,854,178</u>	<u>83,310,851</u>

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7 Miscellaneous expenses

	2022	2021
	AED	AED
Security costs	1,029,547	997,896
Events and trips	260,756	72,801
Communication	478,899	358,024
Municipality charges	237,210	234,590
Computer consumables	243,855	124,309
(Write-back) / provision for impairment loss on fees receivable	(181,138)	698,180
Provision / (write-back) for impairment loss on other receivables	13,749	(34,810)
Others	1,456,400	1,092,613
	<u>3,539,278</u>	<u>3,543,603</u>

8 Property and equipment

Details of property and equipment are set out in Schedule I on page 27.

9 Fees receivable

	2022	2021
	AED	AED
Fees receivable	23,345,453	25,327,921
Less: provision for impairment of fees receivable	(853,137)	(1,456,794)
	<u>22,492,316</u>	<u>23,871,127</u>

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:

	2022	2021
	AED	AED
At 1 September	1,456,794	758,614
Charge	163,185	888,133
Recovered during the year	(344,323)	(189,953)
Written off	(422,519)	-
At 31 August	<u>853,137</u>	<u>1,456,794</u>

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10 Other receivables

	2022	2021
	AED	AED
Other receivables	7,815,828	3,864,194
Less: provision for impairment of other receivables	(161,689)	(181,290)
	<u>7,654,139</u>	<u>3,682,904</u>

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:

	2022	2021
	AED	AED
At 1 September	181,290	216,100
Charge	30,518	-
Recovered during the year	(16,769)	(34,810)
Written off	(33,350)	-
At 31 August	<u>161,689</u>	<u>181,290</u>

11 Cash and bank balances

	2022	2021
	AED	AED
Cash in hand	520,665	187,005
Cash at banks – Current accounts	41,486,395	43,682,307
Cash at banks – Fixed deposits	16,000,000	14,000,000
	<u>58,007,060</u>	<u>57,869,312</u>
Bank deposits with original maturities in excess of three months	(16,000,000)	(14,000,000)
	<u>42,007,060</u>	<u>43,869,312</u>

On June 2022, the School has entered into a three-year high yield fixed deposit contract with an international bank for an interest rate of 2.5% for the first year payable on 24 June 2023.

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12 Deferred income

Deferred income pertains to income from tuition 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:

	2022 AED	2021 AED
At 1 September	21,160,402	18,916,027
Charge for the year (<i>note 6</i>)	4,121,801	3,818,943
Paid during the year	(3,935,133)	(1,574,568)
At 31 August	<u>21,347,070</u>	<u>21,160,402</u>

14 Term loan - unsecured

	2022 AED	2021 AED
Term loan	56,799,441	61,219,026
Less: non-current portion	(51,744,786)	(56,164,371)
Current portion	<u>5,054,655</u>	<u>5,054,655</u>

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 (*2021: 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.

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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:

	2022 AED	2021 AED
Remuneration	<u>3,109,500</u>	<u>3,365,200</u>

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.

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Notes to the financial statements

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 2022 amounting to AED 57,486,395 (2021: AED 57,682,307), 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.

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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:

	2022 AED	2021 AED
Fees receivable	22,492,316	23,871,127
Other receivables*	7,485,272	3,365,931
Cash at banks	57,486,395	57,682,307
	87,463,983	84,919,365

*Credit risk from other receivables excludes deposits of AED 168,867 (2021: AED 316,973).

Fees receivable

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

	Gross 2022 AED	Credit impaired 2022 AED	Gross 2021 AED	Credit impaired 2021 AED
Not past due	22,492,316	-	23,871,127	-
Past due	853,137	853,137	1,456,794	1,456,794
Total gross carrying amount	23,345,453	853,137	25,327,921	1,456,794
Impairment loss allowance	(853,137)	(853,137)	(1,456,794)	(1,456,794)
Net credit impaired	22,492,316	-	23,871,127	-

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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 2022				
Accounts payable	7,661,636	(7,661,636)	(7,661,636)	-
Other payables	5,376,147	(5,376,147)	(5,376,147)	-
Term loan	56,799,441	(67,891,976)	(6,231,266)	(61,660,710)
	<u>69,837,224</u>	<u>(80,929,759)</u>	<u>(19,269,049)</u>	<u>(61,660,710)</u>
	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)
	<u>63,636,961</u>	<u>(76,643,673)</u>	<u>(8,751,698)</u>	<u>(67,891,975)</u>

(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:

	2022 AED	2021 AED
<i>Fixed rate instruments</i>		
Term loan	<u>56,799,441</u>	<u>61,219,026</u>

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 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	<u>155,529,249</u>	<u>23,769,104</u>	<u>14,517,442</u>	<u>6,563,633</u>	<u>200,379,428</u>
At 1 September 2021	155,529,249	23,769,104	14,517,442	6,563,633	200,379,428
Additions	1,566,771	374,952	1,705,786	20,936,141	24,583,650
Disposals	-	(2,293,948)	(4,818,405)	-	(7,112,353)
At 31 August 2022	<u>157,096,020</u>	<u>21,850,108</u>	<u>11,404,823</u>	<u>27,499,774</u>	<u>217,850,725</u>
Accumulated depreciation					
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	<u>91,110,068</u>	<u>21,168,090</u>	<u>11,423,446</u>	<u>-</u>	<u>123,701,604</u>
At 1 September 2021	91,110,068	21,168,090	11,423,446	-	123,701,604
Charge for the year	6,228,231	840,812	1,671,071	-	8,740,114
Disposals	-	(2,293,773)	(4,814,260)	-	(7,108,033)
At 31 August 2022	<u>97,338,299</u>	<u>19,715,129</u>	<u>8,280,257</u>	<u>-</u>	<u>125,333,685</u>
Carrying amount					
At 31 August 2021	<u>64,419,181</u>	<u>2,601,014</u>	<u>3,093,996</u>	<u>6,563,633</u>	<u>76,677,824</u>
At 31 August 2022	<u>59,757,721</u>	<u>2,134,979</u>	<u>3,124,566</u>	<u>27,499,774</u>	<u>92,517,040</u>

*During the year, the School has contracted with McLaren Construction Limited for construction of Phase V building for the Science and Innovation Centre. The expected completion date of the project is January 2023 and therefore all construction work completed up to August 2022 have been capitalised under capital work-in-progress.