

# **Taaleem Holdings Private Joint Stock Company and its subsidiaries**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**31 AUGUST 2022**

## **DIRECTORS' REPORT**

The Board of Directors have the pleasure of presenting the annual report and audited consolidated financial statements of Taaleem Holdings Private Joint Stock Company (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 August 2022. The Company operates under the trade name Taaleem Holdings P.S.C. (Private Joint Stock Company) as per the trade license no. 591478 issued by the Department of Economic Development.

### **Management's responsibilities**

The UAE Federal Decree Law no. (32) of 2021 on the Commercial Companies and its amendments requires the management to prepare the consolidated financial statements which present fairly the state of affairs of the Group and the consolidated performance for the financial year.

The accompanying consolidated financial statements are prepared in conformity with the statutory requirements and International Financial Reporting Standards, including the underlying accounting policies, estimates and judgments. All relevant accounting records and information were considered to prepare these consolidated financial statements.

### **Principal activities and business review**

The Group has been licensed to provide educational services.

Until the period ended 31 August 2007, the Company had not commenced commercial operations. With effect from 1 September 2007, the Company acquired 100% shares in Taaleem LLC ("Taaleem LLC") a company incorporated in the Emirate of Dubai and Taaleem Management LLC ("Taaleem Management LLC") a Limited Liability Company incorporated in the Emirate of Dubai. By virtue of this acquisition, the Group acquired five operating Schools in the Emirate of Dubai and one operating School in the Emirate of Abu Dhabi: Dubai British School, Al Mizhar American Academy, Uptown Primary School, The Children's Garden Green Community, Greenfield Community School and Raha International School respectively.

By year ended 31 August 2008, the Group purchased another school building and refurbished it to expand Uptown Primary School to its secondary campus, Uptown High School in the Emirate of Dubai which commenced commercial operations in September 2008.

By 31 August 2009, the Group was involved in the set-up of its 8th campus, a nursery, The Children's Garden, Jumeira ("TCG-J") in the Emirate of Dubai, which started commercial operations in September 2009. In 2017, the Board of Directors of the Company resolved to close TCG-J upon completion of the 2016-17 academic year and twelve months ahead of the lease expiry, mainly due to low demand and limited facilities of the school.

As at 31 August 2010, the Group was involved in the set-up of its 9th campus, Jumeira Baccalaureate School, in the Emirate of Dubai, which started commercial operations in September 2010.

In 2011-12, the Group sold Uptown High School to a third party due to locational disadvantage and limited facilities offered by the campus.

As at 31 August 2012, the Group was involved in the set-up of two new campuses, Uptown School (Phase 1), located on granted land in Mirdif, Dubai and The Children's Garden, Barsha, located in Al Barsha, Dubai. The two campuses commenced commercial operations in September 2012. During 2013, the construction of Uptown School (Phase 2) was completed, following which the Group terminated the long-term lease of Uptown Primary campus and returned the campus back to the lessor.

As at 31 August 2014, the Group was involved in the construction of Uptown School (Phase 3), and Dubai British Foundation, a nursery located in Jumeira Islands, Dubai. Dubai British Foundation commenced commercial operations in September 2014.

As at 31 August 2015, the Group commenced commercial operations of its 11th campus, Dubai British School Jumeirah Park, located in Jumeirah Park, Dubai.

After the completion of the academic year ended 31 August 2019, the Board of Directors of the Company ended the operations of The Children's Garden, Barsha, located in Al Barsha, Dubai.

During the academic year 2018-2019, a management agreement was signed with the education regulator for the emirate of Abu Dhabi, ADEK, to run the operations of four Abu Dhabi based charter schools starting from the academic year 2019-20. During the academic year 2020-21, the management agreement was amended to manage and operate two additional charter schools in Abu Dhabi, UAE commencing from academic year 2021-22.

## **DIRECTORS' REPORT (continued)**

### **Principal activities and business review (continued)**

During the year, the Group entered into a new operating and management agreement with ADEK, (which superseded the original agreement) and incorporates a total of nine schools including the original six plus three new schools commencing from 1 September 2022. In addition, the new agreement extends the term of the operation and management of the previously awarded six Abu Dhabi Charter Schools by 5 years.

In June 2022, Taaleem Management LLC entered into a services agreement with Emirates School Establishment ("ESE") to operate and manage four schools on behalf of the ESE in connection with the Ajyal (Generations) School ("Ajyal Schools") initiative by the Federal Ministry of Education, namely Al Maktoum School (Dubai), Al Qarayan School (Sharjah), Al Mataf School (Ras Al-Khaimah), and Al Furqan School (Eastern Sharjah). The Schools are commencing operations from academic year 2022-23.

Two new entities were incorporated during the year 2019, which were: Taaleem SPV Limited and Taaleem Holdings Sole Proprietorship LLC.

During the academic year 2018-19, the Group was involved in the construction and set-up of Raha International School Khalifa A ("RIS-KA") in the Emirate of Abu Dhabi. During the year ended 31 August 2020, the construction of Phase I of RIS-KA comprising of the School building for early years students was completed and the School operations for early years students commenced from September 2020 for the academic year 2020-21. The construction of Phase II comprising of the School building for students upto Grade 8 was completed subsequent to the year on 5 September 2021.

During the academic year 2019-20, the Board of Directors of the Company resolved to end the operations of The Children's Garden, Green Community, located in Dubai Investments Park, Dubai after the completion of the academic year ended 31 August 2020.

In March 2021, the Group and The Executive Council ("TEC"), a government entity, entered into an Operations & Management Agreement, whereby, the Group through Taaleem Management LLC will operate and manage two schools of TEC in the Emirates of Dubai - Dubai Schools Al Barsha and Dubai Schools Mirdif, starting from the academic year 2021-22.

In June 2022, the Group, TEC and Knowledge Fund Establishment ("KFE") signed a novation agreement whereby all rights and obligations of TEC under the original agreement were novated to KFE. Further, KFE mandated the Group to manage and operate a new school 'Dubai Schools' Nad Al Sheba from academic year 2022-23.

On 26 May 2022, the Group had entered into the following agreements:

- a. agreement with the Board of Trustees of Jebel Ali School for transfer of the school operations (on an "as-is" basis).
- b. a tripartite agreement with the Board of Trustees of Jebel Ali School and Emirates REIT for settlement of the outstanding rental payments as of the date of acquisition towards the land and school building, and acquisition of the underlying land and the school building.

### **Results**

The results of the Group for the year ended 31 August 2022 are set out in the attached consolidated financial statements.

### **Going concern basis**

The Board of Directors has reasonable expectation that the Group has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 August 2022.

**DIRECTORS' REPORT (continued)**

**Principal activities and business review (continued)**

**Transactions with related parties**

The consolidated financial statements disclose significant related party transactions and balances in note 22. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

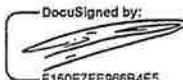
**Subsequent events**

There were no significant events subsequent to the year end that requires either adjustments or disclosures in the consolidated financial statements.

**Auditors**

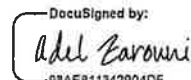
Ernst and Young Middle East (Dubai Branch) ("EY") were appointed as external auditors for the Group for the year ended 31 August 2022. EY have expressed their willingness to continue in the office. A resolution for the appointment of the auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

DocuSigned by:  
  
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Chairman

Date: 30/9/2022

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Vice Chairman

30/9/2022

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TAALEEM HOLDINGS PRIVATE JOINT STOCK COMPANY**

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

#### *Opinion*

We have audited the consolidated financial statements of Taaleem Holdings Private Joint Stock Company (the "Company") and its subsidiaries (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 August 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants* (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in 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.

#### *Other Matter*

The consolidated financial statements of the Group for the year ended 31 August 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 16 November 2021 before the effects of reclassifications as indicated in note 34 to these consolidated financial statements.

#### *Other Information*

The Board of Directors are responsible for the other information. The other information comprises the Directors Report and does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TAALEEM HOLDINGS PRIVATE JOINT STOCK COMPANY (continued)**

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

#### *Responsibilities of Management and The Board of Directors for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and in compliance with the applicable provisions of the Articles of Association of the Company and the UAE Federal Decree Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
TAALEEM HOLDINGS PRIVATE JOINT STOCK COMPANY (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

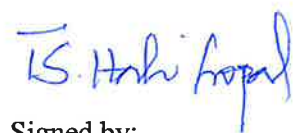
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that for the year ended 31 August 2022:

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and the Articles of Association of the Company;
- iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Company;
- v) investment in shares and stocks during the year ended 31 August 2022, if any, are disclosed in note 1 to the consolidated financial statements;
- vi) note 22 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 August 2022, any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or of its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 August 2022; and
- viii) Note 19 reflects the social contributions made during the year.

For Ernst & Young



Signed by:  
Thodla Hari Gopal  
Partner  
Registration No. 689

30 September 2022

Dubai, United Arab Emirates

A member firm of Ernst & Young Global Limited

**Taaleem Holdings Private Joint Stock Company and its subsidiaries**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

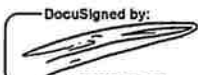
|                                                  | <i>Notes</i> | <i>2022<br/>AED</i>  | <i>2021<br/>AED</i>  |
|--------------------------------------------------|--------------|----------------------|----------------------|
| <b>ASSETS</b>                                    |              |                      |                      |
| <b>Non-current assets</b>                        |              |                      |                      |
| Property and equipment                           | 8 (i)        | 1,160,278,413        | 966,340,768          |
| Investment property                              | 8 (ii)       | 11,438,599           | -                    |
| Intangible assets                                | 7            | 41,119,734           | 12,081,650           |
| Goodwill                                         | 6 b          | 239,997,759          | 204,932,063          |
| Right-of-use assets                              | 28(i)        | 177,130,827          | 139,554,303          |
| Net investment in finance lease                  | 28(i)        | 3,423,325            | -                    |
| Capital advances                                 | 10           | -                    | 1,466,766            |
|                                                  |              | <u>1,633,388,657</u> | <u>1,324,375,550</u> |
| <b>Current assets</b>                            |              |                      |                      |
| Fees and other receivables                       | 10           | 83,760,649           | 69,242,798           |
| Wakala deposits                                  | 11           | -                    | 45,131,389           |
| Cash and cash equivalents                        | 12           | 243,150,477          | 192,993,687          |
|                                                  |              | <u>326,911,126</u>   | <u>307,367,874</u>   |
| <b>TOTAL ASSETS</b>                              |              | <u>1,960,299,783</u> | <u>1,631,743,424</u> |
| <b>EQUITY AND LIABILITIES</b>                    |              |                      |                      |
| <b>EQUITY</b>                                    |              |                      |                      |
| Share capital                                    | 25           | 750,000,000          | 750,000,000          |
| Statutory reserve                                | 26           | 63,297,202           | 53,950,583           |
| Retained earnings                                |              | 120,674,141          | 114,599,707          |
| <b>TOTAL EQUITY</b>                              |              | <u>933,971,343</u>   | <u>918,550,290</u>   |
| <b>LIABILITIES</b>                               |              |                      |                      |
| <b>Non-current liabilities</b>                   |              |                      |                      |
| Interest bearing loans and borrowings            | 13           | 304,125,318          | 171,553,584          |
| Lease liabilities                                | 28(ii)       | 187,000,470          | 144,288,560          |
| Deferred income on government grant              | 15           | 46,308,674           | 48,745,974           |
| Debentures payable                               | 16           | 26,543,685           | 4,228,908            |
| Provision for employees' end of service benefits | 14           | 29,443,351           | 19,154,380           |
|                                                  |              | <u>593,421,498</u>   | <u>387,971,406</u>   |

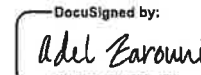
The attached notes 1 to 34 form part of these consolidated financial statements.

**Taaleem Holdings Private Joint Stock Company and its subsidiaries**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
As at 31 August 2022  
(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

|                                       | Notes  | 2022<br>AED          | 2021<br>AED          |
|---------------------------------------|--------|----------------------|----------------------|
| <b>Current liabilities</b>            |        |                      |                      |
| Trade and other payables              | 16     | 123,529,684          | 78,550,806           |
| Fees received in advance              | 17.2   | 264,643,267          | 213,841,330          |
| Interest bearing loans and borrowings | 13     | 28,296,892           | 24,535,298           |
| Lease liabilities                     | 28(ii) | 13,999,799           | 5,856,994            |
| Deferred income on government grant   | 15     | 2,437,300            | 2,437,300            |
|                                       |        | <b>432,906,942</b>   | <b>325,221,728</b>   |
| <b>TOTAL LIABILITIES</b>              |        | <b>1,026,328,440</b> | <b>713,193,134</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |        | <b>1,960,299,783</b> | <b>1,631,743,424</b> |

These consolidated financial statements were approved by the Board of Directors on 30/9/2022 and signed on their behalf by:

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Chairman  
30/9/2022

DocuSigned by:  
  
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Vice Chairman  
30/9/2022

The attached notes 1 to 34 form part of these consolidated financial statements.

**Taaleem Holdings Private Joint Stock Company and its subsidiaries**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

|                                                                                                                  | <i>Notes</i>  | <b>2022<br/>AED</b>  | <b>2021<br/>AED</b>  |
|------------------------------------------------------------------------------------------------------------------|---------------|----------------------|----------------------|
| <b>REVENUE</b>                                                                                                   | 17            | <b>623,332,614</b>   | <b>526,837,903</b>   |
| <b>FINANCE AND OTHER INCOME</b>                                                                                  |               |                      |                      |
| Rental income                                                                                                    | 8 (i), 8 (ii) | <b>911,723</b>       | 337,675              |
| Income from deferred government grant                                                                            | 15            | <b>2,437,300</b>     | 2,437,300            |
| Finance income                                                                                                   | 23            | <b>1,747,228</b>     | 896,112              |
| Other income                                                                                                     | 21            | <b>12,141,269</b>    | 4,957,854            |
| <b>TOTAL FINANCE AND OTHER INCOME</b>                                                                            |               | <b>17,237,520</b>    | <b>8,628,941</b>     |
| <b>EXPENSES</b>                                                                                                  |               |                      |                      |
| Operating costs                                                                                                  | 18            | <b>(370,307,303)</b> | (302,252,634)        |
| General and administrative expenses                                                                              | 19            | <b>(95,823,699)</b>  | (76,722,233)         |
| Impairment of goodwill                                                                                           | 6             | -                    | (3,084,640)          |
| Amortisation of intangible assets                                                                                | 7             | <b>(1,061,916)</b>   | (524,416)            |
| Depreciation on property and equipment                                                                           | 8(i)          | <b>(58,127,333)</b>  | (44,293,686)         |
| Depreciation on investment property                                                                              | 8(ii)         | <b>(237,702)</b>     | -                    |
| Amortisation of right-of-use assets                                                                              | 28(i)         | <b>(13,361,870)</b>  | (12,457,693)         |
| Impairment loss on Amlak wakala deposits                                                                         | 9             | -                    | (6,964,626)          |
| Finance costs                                                                                                    | 24            | <b>(18,729,258)</b>  | (10,890,835)         |
| <b>TOTAL EXPENSES</b>                                                                                            |               | <b>(557,649,081)</b> | <b>(457,190,763)</b> |
| <b>PROFIT FOR THE YEAR</b>                                                                                       |               | <b>82,921,053</b>    | <b>78,276,081</b>    |
| <b>Earnings per share</b>                                                                                        |               |                      |                      |
| Basic and diluted, profit for the year attributable to ordinary equity holders of the Company (in AED per share) | 31            | <b>0.11</b>          | 0.10                 |

The attached notes 1 to 34 form part of these consolidated financial statements.

**Taaleem Holdings Private Joint Stock Company and its subsidiaries**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

|                                                                                                                | <i>Notes</i> | <b>2022<br/>AED</b> | <b>2021<br/>AED</b> |
|----------------------------------------------------------------------------------------------------------------|--------------|---------------------|---------------------|
| <b>PROFIT FOR THE YEAR</b>                                                                                     |              | <b>82,921,053</b>   | <b>78,276,081</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                              |              |                     |                     |
| <i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>       |              |                     |                     |
| Equity investments designated at Fair value through other comprehensive income (FVOCI) – changes in fair value | 9            | -                   | 2,879,508           |
| <b>Total other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>         |              | <b>-</b>            | <b>2,879,508</b>    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                                 |              | <b>82,921,053</b>   | <b>81,155,589</b>   |

The attached notes 1 to 34 form part of these consolidated financial statements.

# Taailem Holdings Private Joint Stock Company and its subsidiaries

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

|                                                                                                   | Share<br>capital<br>AED | Statutory<br>reserve<br>AED | Fair value<br>reserve<br>AED | Retained<br>earnings<br>AED | Total<br>AED |
|---------------------------------------------------------------------------------------------------|-------------------------|-----------------------------|------------------------------|-----------------------------|--------------|
| As at 1 September 2020                                                                            | 750,000,000             | 45,560,845                  | 1,615,811                    | 92,718,045                  | 889,894,701  |
| Profit for the year                                                                               | -                       | -                           | -                            | 78,276,081                  | 78,276,081   |
| Other comprehensive income for the year                                                           | -                       | -                           | 2,879,508                    | -                           | 2,879,508    |
| Total comprehensive income for the year                                                           | -                       | -                           | 2,879,508                    | 78,276,081                  | 81,155,589   |
| Dividends (Note 27)                                                                               | -                       | -                           | -                            | (52,500,000)                | (52,500,000) |
| Transfer to statutory reserve (Note 26)                                                           | -                       | 8,389,738                   | -                            | (8,389,738)                 | -            |
| Fair value reserve on equity investments at FVOCI<br>transferred to retained earnings on disposal | -                       | -                           | (4,495,319)                  | 4,495,319                   | -            |
| As at 31 August 2021                                                                              | 750,000,000             | 53,950,583                  | -                            | 114,599,707                 | 918,550,290  |
| As at 1 September 2021                                                                            | 750,000,000             | 53,950,583                  | -                            | 114,599,707                 | 918,550,290  |
| Profit for the year                                                                               | -                       | -                           | -                            | 82,921,053                  | 82,921,053   |
| Other comprehensive income for the year                                                           | -                       | -                           | -                            | -                           | -            |
| Total comprehensive income for the year                                                           | -                       | -                           | -                            | 82,921,053                  | 82,921,053   |
| Dividends (Note 27)                                                                               | -                       | -                           | -                            | (67,500,000)                | (67,500,000) |
| Transfer to statutory reserve (Note 26)                                                           | -                       | 9,346,619                   | -                            | (9,346,619)                 | -            |
| As at 31 August 2022                                                                              | 750,000,000             | 63,297,202                  | -                            | 120,674,141                 | 933,971,343  |

The attached notes 1 to 34 form part of these consolidated financial statements.

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

|                                                                     | Notes | 2022<br>AED          | 2021<br>AED          |
|---------------------------------------------------------------------|-------|----------------------|----------------------|
| <b>OPERATING ACTIVITIES</b>                                         |       |                      |                      |
| Profit for the year                                                 |       | 82,921,053           | 78,276,081           |
| <b>Adjustments for:</b>                                             |       |                      |                      |
| Depreciation on property and equipment                              | 8(i)  | 58,127,333           | 44,293,686           |
| Depreciation on investment property                                 | 8(ii) | 237,702              | -                    |
| Amortisation of right-of-use assets                                 | 28(i) | 13,361,870           | 12,457,693           |
| Amortisation of intangible assets                                   | 7     | 1,061,916            | 524,416              |
| Provision for employees' end of service benefits                    | 14    | 8,490,458            | 7,599,809            |
| Allowance for impairment on fees and other receivables              | 10    | 1,647,170            | 1,335,957            |
| Gain on disposal of property and equipment                          | 21.2  | (57,143)             | (78,276)             |
| Impact of modification of right-of-use assets and lease liabilities |       | (221,916)            | -                    |
| Impairment loss on Amlak wakala deposits                            | 9     | -                    | 6,964,626            |
| Impairment of goodwill                                              | 6     | -                    | 3,084,640            |
| Loss on derecognition of right-of-use assets                        |       | 357,380              | -                    |
| Finance income                                                      | 23    | (1,747,228)          | (896,112)            |
| Finance costs                                                       | 24    | 18,729,258           | 10,890,835           |
| Income from deferred government grant                               | 15    | (2,437,300)          | (2,437,300)          |
| Income from unwinding of debentures payable                         | 21.1  | (711,040)            | (711,040)            |
| <b>Operating cash flows before changes in working capital</b>       |       | <b>179,759,513</b>   | <b>161,305,015</b>   |
| <b>Changes in working capital:</b>                                  |       |                      |                      |
| Change in fees and other receivables                                |       | (9,475,538)          | (22,303,812)         |
| Changes in restricted cash                                          |       | (11,650,205)         | 114,425              |
| Change in fees received in advance                                  |       | 50,801,937           | 31,439,447           |
| Change in trade and other payables                                  |       | (1,057,307)          | 37,120,804           |
| <b>Cash flows generated from operations</b>                         |       | <b>208,378,400</b>   | <b>207,675,879</b>   |
| Payment of employees' end of service benefits                       | 14    | (6,879,863)          | (5,624,578)          |
| <b>Net cash flows from operating activities</b>                     |       | <b>201,498,537</b>   | <b>202,051,301</b>   |
| <b>INVESTING ACTIVITIES</b>                                         |       |                      |                      |
| Additions to property and equipment                                 | 8     | (86,820,583)         | (135,375,275)        |
| Proceeds from disposal of property and equipment                    |       | 57,143               | 123,120              |
| Receipts from sub-lessor                                            |       | 369,386              | -                    |
| Changes in Wakala deposits, net                                     |       | 45,131,389           | (25,129,222)         |
| Prepayment of Amlak Wakala deposits received                        |       | -                    | 1,946,532            |
| Proceeds from settlement of Amlak Wakala deposits                   |       | -                    | 20,385,172           |
| Acquisition of subsidiary – net of cash acquired                    | 6(a)  | (164,338,421)        | -                    |
| Interest received                                                   |       | 1,662,259            | 896,112              |
| <b>Net cash flows used in investing activities</b>                  |       | <b>(203,938,827)</b> | <b>(137,153,561)</b> |
| <b>FINANCING ACTIVITIES</b>                                         |       |                      |                      |
| Proceeds from bank borrowings                                       | 13    | 160,000,000          | 90,000,000           |
| Repayment of bank borrowings                                        | 13    | (24,523,098)         | (8,446,832)          |
| Payments towards lease liabilities                                  | 28    | (13,848,457)         | (12,721,192)         |
| Interest paid                                                       |       | (7,071,159)          | (2,406,162)          |
| Dividends paid                                                      | 27    | (67,853,749)         | (52,314,657)         |
| Repayment of debentures                                             |       | (5,756,662)          | -                    |
| <b>Net cash flows from financing activities</b>                     |       | <b>40,946,875</b>    | <b>14,111,157</b>    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                    |       | <b>38,506,585</b>    | <b>79,008,897</b>    |
| Cash and cash equivalents at the beginning of the year              |       | 189,479,803          | 110,470,906          |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>             | 12    | <b>227,986,388</b>   | <b>189,479,803</b>   |

**Significant non-cash transaction:** Refer note 8(i) and 8(ii) for the transfer of building amounting to AED 11,676,301 from property and equipment to investment property.

The attached notes 1 to 34 form part of these consolidated financial statements.

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

### 1 STATUS AND PRINCIPAL ACTIVITIES

Taaleem Holdings Private Joint Stock Company (the "Parent Company" or the "Company") was incorporated on 5 February 2007 under license no. 591478 and registered with the Department of Economic Development, Dubai, United Arab Emirates (UAE) as a Private Joint Stock Company under the UAE Federal Decree Law No. (32) of 2021. The Company operates under the trade name Taaleem Holdings P.S.C. (Private Joint Stock Company). The registered address of the Parent Company is P.O Box 76691, Dubai, United Arab Emirates.

Details of the Company's shareholders and their shareholder percentage is disclosed in Note 25.

Pursuant to the resolution passed in the extra-ordinary general meeting 29 August 2022, the shareholders have approved the conversion of the legal status of the Company from a Private Joint Stock Company to a Public Joint Stock Company by way of raising new capital through an initial public offering. The legal formalities are expected to be completed during the year 2022-23 upon the successful completion of the initial public offering.

The Company's shareholding and principal activities of the subsidiaries (collectively referred to as the "Group") are as follows:

| <i>Name</i>                                | <i>Percentage of equity interest</i> | <i>Country of incorporation</i> | <i>Principal activities</i>                                                                                                         |
|--------------------------------------------|--------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Taaleem LLC                                | 100%                                 | United Arab Emirates            | Involved in setting up several schools.                                                                                             |
| Taaleem Management LLC                     | 100%                                 | United Arab Emirates            | Involved in providing licensing, administrative and technical services for structuring, developing, managing and operating schools. |
| Taaleem SPV Limited*                       | 100%                                 | United Arab Emirates            | Involved in providing and investing in educational services.                                                                        |
| Taaleem Holdings Sole Proprietorship LLC** | 100%                                 | United Arab Emirates            | Investment and management of educational and commercial enterprises.                                                                |
| Madaares Operations Limited                | 100%                                 | United Arab Emirates            | General trading activities                                                                                                          |
| Madaares Management Limited                | 100%                                 | United Arab Emirates            | General trading activities                                                                                                          |

\* 100% Owned by two shareholders of the Parent Company for the beneficial interest of the Group. Based on contractual arrangements between the Company and other shareholders, the Company has power to direct the relevant activities of these subsidiaries and derive full economic benefits (bear losses) from the operations of these subsidiaries. Hence, the Group considers that it controls certain subsidiaries.

\*\* 100% owned by Taaleem SPV Limited.

The principal activities of the Group are providing and investing in educational services.

#### School operations

Taaleem LLC is involved in management and operations of the following schools:

- (a) Dubai British School ("DBS")
- (b) American Academy for Girls ("AAG")
- (c) Raha International School ("RIS")
- (d) Greenfield International School ("GIS")
- (e) Jumeira Baccalaureate School ("JBS")
- (f) Uptown International School ("UIS")
- (g) Dubai British Foundation Kindergarten ("DBF")
- (h) Dubai British School Jumeirah Park ("DBS-JP")
- (i) Raha International School Khalifa-A ("RIS-KA")
- (j) Jebel Ali School ("JAS")

The above schools are collectively referred to as the "Schools". The trade licenses of the Schools are legally held by Taaleem Management LLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

**1 STATUS AND PRINCIPAL ACTIVITIES (continued)**

**Managed School operations**

The Group has also entered into management and operation agreements to manage and operate certain other schools as follows:

- a. With the Abu Dhabi Department of Education and Knowledge ("ADEK")
  - During 2019, to manage and operate four charter schools in Abu Dhabi, UAE commencing from academic year 2019-20 for an initial period of 3 years. This agreement was renewed during 2022 for a successive 2 years upon completion of the initial period with an option for further extension by another 5 years.
  - During 2020-21, the above mentioned management agreement was amended to manage and operate two additional charter schools in Abu Dhabi, UAE commencing from academic year 2021-22.
  - Further, the Group entered into a new operating and management agreement dated 31 May 2022 with ADEK, (which superseded the original agreement) and incorporates a total of nine schools including the original six plus three new schools commencing from 1 September 2022 for an initial period of 2 years. The Group has an option to renew this agreement for 2 years upon completion of the initial period, with an option for further extension by another 5 years.
  - The Group recognises the management fees as an agent in relation to the arrangements with ADEK.
- b. With The Executive Council ("TEC") and Knowledge Fund Establishment (KFE)
  - During 2021, to manage and operate two schools of TEC in the Emirates of Dubai, Dubai Schools Al Barsha ("DSB") and Dubai Schools Mirdif ("DSM"), starting from the academic year 2021-22 for an initial period of 7 years, renewable on the same terms for two additional periods of 7 years each.

The land and the buildings on which school is constructed is leased by TEC and not recharged to the Group. The Group will be responsible for operating maintenance required during the agreement period.
  - Pursuant to the novation agreements entered into between the Group, TEC and Knowledge Fund Establishment (KFE) during 2022, all rights and obligations of TEC under the original agreement were novated to KFE.
  - Further, KFE mandated the Group to manage and operate the 'Dubai Schools' Nad Al Sheba vide agreement dated 20 June 2022, from academic year 2022-23.
  - The Group acts as a principal in relation to operation of the above schools as it derives full economic benefits and has control over the strategic and day to day operations of the schools.
- c. With Emirates School Establishment ("ESE")
  - During 2022, to manage and operate four schools in connection with the Ajyal (Generations) School ("Ajyal Schools") initiative by the Federal Ministry of Education, namely Al Maktoum School (Dubai), Al Qarayen School (Sharjah), Al Mataf School (Ras Al-Khaimah) and Al Furqan School (Eastern Sharjah) commencing from academic year 2022-23. The Group will act as an agent in relation to the arrangement with ESE.

The Group has not purchased or invested in any shares or stocks during the year ended 31 August 2022 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

**2 BASIS OF PREPARATION**

**2.1 Basis of Preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the applicable provisions of the Company's Articles of Association and UAE Federal Decree Law No. (32) of 2021.

These consolidated financial statements are prepared under the historical cost basis, except otherwise stated.

The consolidated financial statements are presented in the United Arab Emirates Dirham (AED), which is the Company's functional currency, unless otherwise stated.

**2.2 Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Changes in accounting policies**

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 August 2021, except as follows:

**New and amended standards and interpretations issued and effective**

The following amendments and interpretations to IFRSs become effective on or after 1 January 2021, but did not have any material impact on the consolidated financial statements of the Group.

- *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

- *Covid -19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 effective for annual periods beginning on or after 1 April 2021)*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

**Standards and interpretations issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Standards and interpretations issued but not yet effective (continued)**

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Standards and interpretations issued but not yet effective (continued)**

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. This standard is not applicable to the Group.

**Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 SIGNIFICANT ACCOUNTING POLICIES

##### Revenue from contracts with customers

The Group is in the business of providing educational and educational support services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services and management fees from ADEK below, because it typically controls the goods or services before transferring them to the customer.

The revenue from different contracts with customers is recognised as follows:

- Tuition, fees are recognised over the period of time the services are rendered.
- Re-registration and admission fees for existing students are recognised over the period of time the services are rendered.
- Application fees is recognised in point in time.
- Management fees from ADEK are recognised over the period of time the underlying management services are rendered.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

##### *Agency services income*

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.

Agency services income includes commission income from transportation services, sale of uniform and canteen sales. Such income is recognised as the underlying sales /or services are delivered /or rendered.

##### *Significant financing component*

Generally, the Group receives short-term advances from its customers (fee received in advance). Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less

##### Contract balances

##### *Trade receivables*

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instruments – initial recognition and subsequent measurement*.

##### *Contract liabilities*

A contract liability is recognised if a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

##### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases**

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

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**i) Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plots of land and buildings 20 to 50 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets for details.

***(ii) Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

***iii) Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of building (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The short-term leases includes leases for corporate office and staff accommodation.

***Group as a lessor***

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

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

***Group as a lessor (continued)***

If sub-lease is for major part of the right-of-use assets, then it is classified as finance lease. The right-of-use assets relating to the portion of the head lease that is sublet is derecognised and net investment in the sub-lease is recognised (using the IBR considered for recognition of the head lease). Any difference between the carrying amount of right-of-use assets and the net investment in sub-lease is recorded in the consolidated statement of profit or loss, and the Group continues to recognise the lease liability relating to the head lease. Interest income on sub-lease is recognised in the consolidated statement of profit or loss.

**Property and equipment**

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and capital work-in-progress are not depreciated.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. Estimated useful lives of the assets as follows:

|                                              | <i>Years</i> |
|----------------------------------------------|--------------|
| Buildings                                    | 20-30        |
| Leasehold improvements and outdoor equipment | 10-20        |
| Furniture and fixtures                       | 4-5          |
| Books, office, classroom and IT equipment    | 3-5          |
| Motor vehicles                               | 4            |

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognised.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial period end.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Investment property

Property held for rental or capital appreciation purposes is classified as investment property. Investment property is measured at cost less any accumulated depreciation and any accumulated impairment loss.

Depreciation on asset is calculated using the straight-line method to allocate the cost to its residual value over the estimated useful life of 12 years.

The useful life, depreciation method and residual value method is reviewed periodically to ensure that the method and period of depreciation is consistent with the expected pattern of economic benefits from the asset.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

The Group determines at each reporting date whether there is any objective evidence that the investment property is impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of profit or loss. The recoverable amount is higher of investment property's fair value less cost to sell and the value in use.

Reversal of impairment losses recognised previously is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

When the development of investment property commences, it is classified under capital work-in-progress until development is complete, at which time it is transferred to the respective category and depreciated in accordance with the Group's policy.

##### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Estimated useful lives of intangibles are as follows:

|                       | <i>Years</i> |
|-----------------------|--------------|
| Brand and curriculum  | 5            |
| Student relationships | 10 -14       |
| Below market leases   | 17 -49       |

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(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments**

**i) Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as those measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies of Revenue from contracts with customers.

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

***Financial assets at amortised cost (debt instruments)***

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

***Financial assets at fair value through OCI (debt instruments)***

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments classified as fair value through OCI as at the reporting date.

***Financial assets designated at fair value through OCI (equity instruments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has no equity instruments classified as fair value through OCI as at the reporting date.

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments (continued)**

**i) Financial assets (continued)**

**Subsequent measurement (continued)**

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group has no financial assets classified as fair value through profit or loss as at the reporting date.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

**Impairment of financial assets**

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

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

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments (continued)**

**i) Financial assets (continued)**

**Impairment of financial assets (continued)**

The Group seeks to limit its credit risk with respect to student's fees by regularly monitoring outstanding fees receivable. An established impairment analysis is performed at each reporting date using an expected credit loss rate based on days past due for such receivables (e.g. by student) and taking into consideration the reasonable and supportable information that is available at the reporting date about past events, prevailing and forecasts of future economic conditions.

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

**ii) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group does not have financial liabilities classified as fair value through profit or loss as at the reporting date.

***Financial liabilities at amortised cost (Loans and borrowings)***

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

**Derecognition of financial liabilities**

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

**Offsetting of financial instruments**

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

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair value of financial instruments**

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

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, of quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of non-financial assets (continued)**

For assets excluding goodwill, an assessment is made at each reporting date as to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 August and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. When the Group disposes of an operation within a cash-generating unit to which goodwill is allocated. The goodwill associated with the operation disposed shall be included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**Current versus non-current classification**

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Business combinations and goodwill (continued)**

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

##### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

##### **Employees' benefits**

The Group's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed at each reporting period by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in consolidated statement of comprehensive income. The Group determines the net interest expense on the obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in consolidated statement of profit or loss.

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

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

**Foreign currency translation**

The Group's consolidated financial statements are presented in AED, which is the Company's functional currency. For each entity, the Group determines its own functional currency based on the main currency used in the component's business.

*i) Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

*ii) Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at average month end exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

**Dividend**

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

**Cash and cash equivalents**

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and in hand and highly liquid deposits, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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

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**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The executive management has overall responsibility for the Group and oversight of the Group's risk management framework and for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's principal financial liabilities comprise of trade and other payables, interest bearing loans and borrowings, debenture payable and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets are fees and other receivables, wakala deposits and bank balances that derived directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, currency risk and liquidity risk.

The Group's management reviews and agrees policies for managing each of these risks which are summarised below.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk in relation to its interest bearing loans and borrowings which bear interest at variable rates and exposes the Group to cash flow interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for borrowings at the reporting date. The analysis is prepared assuming that these amounts outstanding at the reporting date were outstanding throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables held constant, the Group's profit for the year end 31 August 2022 would decrease / increase by AED 1,070 thousand (2021: profit for the year will decrease / increase by AED 643 thousand). There is no direct impact on the Group's equity other than the impact resulting from the effect on the profit for the year.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is primarily exposed to credit risk on its fees, deposits and other receivables, wakala deposits, cash at bank and sukuk deposits as follows:

|                                                                         | <b>2022</b>        | <b>2021</b> |
|-------------------------------------------------------------------------|--------------------|-------------|
|                                                                         | <b>AED</b>         | <b>AED</b>  |
| Fees and other receivables                                              |                    |             |
| (excluding prepayments, capital advances and VAT receivables) (Note 10) | <b>18,483,458</b>  | 23,707,124  |
| Wakala deposits (Note 11 and 12)                                        | <b>40,066,000</b>  | 45,131,389  |
| Cash at banks and sukuk deposits (Note 12)                              | <b>202,373,371</b> | 192,698,227 |
|                                                                         | <b>260,922,829</b> | 261,536,740 |

The Group seeks to limit its credit risk with respect to student's fees by regularly monitoring outstanding fees receivable. An established impairment analysis is performed at each reporting date using an expected credit loss rate based on days past due for such receivables (e.g. by student) and taking into consideration the reasonable and supportable information that is available at the reporting date about past events, prevailing and forecasts of future economic conditions.

The Group limits its credit risk with regard to cash at bank, wakala and sukuk deposits by only dealing with reputable banks. These bank balances and deposits are callable on demand. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

With respect to credit risk arising from the other financial assets of the Group, including deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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### 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are predominantly undertaken in AED or United States Dollars (USD) to which AED is currently pegged. As at the reporting date, there were no significant foreign currency denominated monetary assets and liabilities.

#### Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available. The terms of admission of students of the educational entities require fees to be paid either in advance or within the academic term. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

The Group's terms of invoices generally require amounts to be paid within 30 to 90 days of the date of invoice.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 August, based on contractual payment dates and current market interest rates.

#### At 31 August 2022

|                                                           | <i>Less than<br/>3 months<br/>AED</i> | <i>3 to 12<br/>months<br/>AED</i> | <i>1 to 5<br/>years<br/>AED</i> | <i>&gt;5 years<br/>AED</i> | <i>Total<br/>AED</i> |
|-----------------------------------------------------------|---------------------------------------|-----------------------------------|---------------------------------|----------------------------|----------------------|
| Interest bearing loans and borrowings; including interest | 9,695,596                             | 28,729,010                        | 244,006,175                     | 104,032,163                | 386,462,944          |
| Debentures payable                                        | -                                     | 8,304,716                         | 29,245,772                      | -                          | 37,550,488           |
| Lease liabilities                                         | 4,970,682                             | 16,504,142                        | 104,527,740                     | 219,922,151                | 345,924,715          |
| Trade and other payables                                  | 78,425,407                            | 33,500,000                        | -                               | -                          | 111,925,407          |
| Total                                                     | <u>93,091,685</u>                     | <u>87,037,868</u>                 | <u>377,779,687</u>              | <u>323,954,314</u>         | <u>881,863,554</u>   |

#### At 31 August 2021

|                                                           | <i>Less than<br/>3 months<br/>AED</i> | <i>3 to 12<br/>months<br/>AED</i> | <i>1 to 5<br/>years<br/>AED</i> | <i>&gt;5 years<br/>AED</i> | <i>Total<br/>AED</i> |
|-----------------------------------------------------------|---------------------------------------|-----------------------------------|---------------------------------|----------------------------|----------------------|
| Interest bearing loans and borrowings; including interest | 3,849,809                             | 24,453,398                        | 146,737,619                     | 40,630,875                 | 215,671,701          |
| Lease liabilities                                         | 3,074,849                             | 10,816,643                        | 80,101,970                      | 130,208,524                | 224,201,986          |
| Trade and other payables (excluding debentures payable)   | 77,839,843                            | -                                 | -                               | -                          | 77,839,843           |
| Total                                                     | <u>84,764,501</u>                     | <u>35,270,041</u>                 | <u>226,839,589</u>              | <u>170,839,399</u>         | <u>517,713,530</u>   |

#### Changes in liabilities arising from financing activities

#### 2021-22

|                                            | <i>1 September<br/>2021<br/>AED</i> | <i>Cash flows<br/>AED</i> | <i>Others<br/>AED</i> | <i>31 August<br/>2022<br/>AED</i> |
|--------------------------------------------|-------------------------------------|---------------------------|-----------------------|-----------------------------------|
| Interest bearing loans and borrowings, net | 196,088,882                         | 128,405,743               | 7,927,585             | 332,422,210                       |
| Lease liabilities                          | 150,145,554                         | (13,848,457)              | 64,703,172            | 201,000,269                       |
| Debentures payable                         | 4,939,871                           | (5,756,662)               | 38,964,753            | 38,147,962                        |
| Total                                      | <u>351,174,307</u>                  | <u>108,800,624</u>        | <u>111,595,510</u>    | <u>571,570,441</u>                |

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### 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk (continued)

#### Changes in liabilities arising from financing activities (continued)

2020-21

|                                            | <i>1 September<br/>2020<br/>AED</i> | <i>Cash flows<br/>AED</i> | <i>Others<br/>AED</i> | <i>31 August<br/>2021<br/>AED</i> |
|--------------------------------------------|-------------------------------------|---------------------------|-----------------------|-----------------------------------|
| Interest bearing loans and borrowings, net | 114,535,714                         | 77,936,052                | 3,617,116             | 196,088,882                       |
| Lease liabilities                          | 151,162,983                         | (12,721,192)              | 11,703,763            | 150,145,554                       |
| Debentures payable                         | 5,651,035                           | -                         | (711,164)             | 4,939,871                         |
| Total                                      | <u>271,349,732</u>                  | <u>65,214,860</u>         | <u>14,609,715</u>     | <u>351,174,307</u>                |

#### Capital management

The primary objective of the Group's capital management is to ensure that it has adequate capital in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the year ended 31 August 2022 and 31 August 2021. Capital comprises the share capital, statutory reserve and retained earnings and is measured at equity of AED 933,971,343 as at 31 August 2022 (31 August 2021: AED 918,550,290).

#### Fair value estimation

Financial instruments comprise financial assets and financial liabilities.

Financial assets mainly consist of fee and other receivables, Wakala deposits, bank balance and sukuk deposits. Financial liabilities mainly consist of interest-bearing loans and borrowings, debentures payable, and trade and other payables.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of interest-bearing loans and borrowings bear commercial rate of interest which gets re-priced at regular intervals and approximates its carrying amount. For debentures payable, the Group's management assessed the fair value using the discounted cash flow analysis and reflected such value as at the reporting date. The fair value of the other financial assets and liabilities approximate their carrying values at the end of the reporting period largely due to the short-term maturities of these instruments.

### 5 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### *Significant judgment in determining the lease term of contracts with renewal options – Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to extend the lease term by an additional five to twenty-five years. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy) or terminate.

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**5 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Judgments (continued)**

***Property lease classification – Group as lessor***

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

***Going concern***

The Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has adequate financial resources, to continue in business for the foreseeable future. Furthermore, the Board of Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

**Estimates and assumptions**

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

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

***Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to property and equipment, investment property and intangible assets recognised by the Group.

***Fair value measurement of financial instruments***

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

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**5 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Estimates and assumptions (continued)**

***Leases - Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

***Provision for expected credit losses of fee receivables***

The Group seeks to limit its credit risk with respect to student's fees by regularly monitoring outstanding fees receivable. An established impairment analysis is performed at each reporting date using an expected credit loss rate based on days past due for such receivables (e.g. by student) and taking into consideration the reasonable and supportable information that is available at the reporting date about past events, prevailing and forecasts of future economic conditions.

***Useful lives of property and equipment, investment property and intangible assets***

The Group's management determine the estimated useful lives of its property and equipment, investment property and intangible assets for calculating depreciation and amortisation respectively. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management review the residual value and useful lives annually and future depreciation charge and amortisation expense would be adjusted where the management believes the useful lives differ from previous estimates.

**6 BUSINESS COMBINATION AND GOODWILL**

**(a) Acquisitions during the year ended 31 August 2022**

**Acquisition of Jebel Ali School (JAS)**

On 26 May 2022, the Group had entered into the following agreements:

- a) agreement with the Board of Trustees of Jebel Ali School for transfer of the school operations (on an "as-is" basis).
- b) a tripartite agreement with the Board of Trustees of Jebel Ali School and Emirates REIT for
  - settlement of the outstanding rental payments as of the date of acquisition towards the land and school building, and
  - acquisition of the underlying land and the school building.

The total consideration for the acquisition was AED 233.5 million. Of this, AED 200 million has been settled and the balance AED 33.5 million will be settled on the first anniversary of the date of acquisition. The balance payable was recognised at its fair value as of the date of acquisition. There were no non-controlling interests arising on this acquisition.

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### 6 BUSINESS COMBINATION AND GOODWILL (continued)

#### (a) Acquisitions during the year ended 31 August 2022 (continued)

##### Acquisition of Jebel Ali School (JAS) (continued)

*Assets acquired and liabilities assumed:*

The fair values of the identifiable assets and liabilities of Jebel Ali School as of the date of acquisition on a provisional basis were as follows:

|                                                            | <i>AED</i>          |
|------------------------------------------------------------|---------------------|
| <b>Assets</b>                                              |                     |
| Land (Note 8(i))                                           | 53,000,000          |
| Building (Note 8(i))                                       | 132,500,000         |
| Other property and equipment, net (Note 8(i))              | 2,819,398           |
| Trade and other receivables, net                           | 6,689,483           |
| Cash and cash equivalents                                  | 35,661,579          |
|                                                            | <u>230,670,460</u>  |
| <b>Liabilities</b>                                         |                     |
| Trade and other payables                                   | (16,062,573)        |
| Provision for employees' end of service benefits (Note 14) | (8,678,376)         |
| Debentures payable                                         | (39,195,207)        |
|                                                            | <u>(63,936,156)</u> |
| Total identifiable net assets at fair value (A)            | <u>166,734,304</u>  |
| Fair value of purchase consideration (B)                   | <u>231,900,000</u>  |
| Intangible assets recognised on acquisition:               |                     |
| - Student relationships (Note 7)                           | 30,100,000          |
| - Goodwill                                                 | 35,065,696          |
|                                                            | <u>65,165,696</u>   |

Goodwill is entirely allocated to the Jebel Ali School CGU.

From the date of acquisition, Jebel Ali School contributed AED 8,604,172 of net revenue and incurred a loss of AED 15,389,928. If the acquisition had taken place at the beginning of the year, Group's revenue would have been AED 683,200,063 and the profit would have been AED 102,460,761.

#### Cash outflows on acquisition

|                                                                                                      | <i>AED</i>         |
|------------------------------------------------------------------------------------------------------|--------------------|
| Net cash acquired (included in cash flows from investing activities) (a)                             | (35,661,579)       |
| Cash paid (included in cash flows from investing activities) (b)                                     | 200,000,000        |
| Transaction costs attributable to acquisition (included in cash flows from operating activities) (c) | (982,040)          |
| Net cash outflows on acquisition                                                                     | <u>163,356,381</u> |

Transaction costs AED 982,040 were expensed and is included in finance costs.

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### 6 BUSINESS COMBINATION AND GOODWILL (continued)

#### (b) Goodwill

|                                                                                          | 2022<br>AED        | 2021<br>AED        |
|------------------------------------------------------------------------------------------|--------------------|--------------------|
| Acquisition through business combination:                                                |                    |                    |
| - Taaleem LLC and Taaleem Management LLC<br>(referred together as "Taaleem acquisition") | 204,932,063        | 208,016,703        |
| - Jebel Ali School * [Note 6(a)]                                                         | 35,065,696         | -                  |
|                                                                                          | <u>239,997,759</u> | <u>208,016,703</u> |
| Less: impairment loss                                                                    | -                  | (3,084,640)        |
|                                                                                          | <u>239,997,759</u> | <u>204,932,063</u> |

\* Considering that Jebel Ali School was acquired on 26 May 2022, the Group's management has assessed and concluded that the test of impairment of goodwill be performed on an annual basis commencing from 2022-23 onwards.

Taaleem acquisition: While the CGU is defined as the individual school, the Group's management monitors the goodwill for internal management purpose at the operating segment level i.e. the group of Schools (or, group of CGUs) together as they believe that represents the synergies that were anticipated upon the acquisition and accordingly undertakes the test of impairment of goodwill as at each reporting date.

#### *Taaleem acquisition:*

On 1 September 2007, the Group entered into a sale and purchase agreement with Taaleem LLC and Taaleem Management LLC, whereby, all the shares of Taaleem LLC and Taaleem Management LLC were acquired by the Company. The acquisition was a contemporaneous transaction and structured in a manner to manage and operate the acquirees' together, as it was prior to the acquisition. Pursuant to this Agreement, Taaleem LLC and Taaleem Management LLC became wholly owned subsidiaries of the Company.

#### *Annual impairment testing and key assumptions used in value in use calculations and sensitivity to changes in assumptions:*

For the purpose of testing impairment of goodwill and other intangible assets, the recoverable amounts for cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by the Board of Directors covering a five-year period. Cash flows beyond the five-year period have been extrapolated using the terminal growth rates stated below. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate (Weighted Average Cost of Capital, i.e. WACC), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margins consistent with historical trends adjusted for expected efficiency, and fee improvements (considering student enrolment and regulatory approvals on fees). The growth rate does not exceed the long-term average growth rate for the markets in which the cash generating units operate. Any reasonably possible changes to the assumptions will not lead to an impairment. The key assumptions used in the value-in-use calculations are as follows:

|                     | 2022                    |                | 2021                    |                |
|---------------------|-------------------------|----------------|-------------------------|----------------|
|                     | Discount rate<br>(WACC) | Growth<br>rate | Discount rate<br>(WACC) | Growth<br>rate |
| Taaleem acquisition | 12%                     | 2%             | 12%                     | 2%             |

As at the reporting date, the recoverable amount of the group of CGUs tested for impairment was assessed to be AED 945.1 million. There were no impairment identified on the carrying amount of goodwill as at reporting date.

#### *Sensitivity to changes in assumptions*

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

*Disposal of an operation within a CGU:* During the previous year, the Group had recognised AED 3.1 million as impairment loss on goodwill on the closure of TCG School based on the relative value of the operation disposed of. Such impairment loss would not have arisen had the TCG School continued its operations.

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### 7 INTANGIBLE ASSETS

|                                         | <i>Brand and<br/>curriculum<br/>AED</i> | <i>Student<br/>relationships<br/>AED</i> | <i>Below market<br/>leases<br/>AED</i> | <i>Total<br/>AED</i> |
|-----------------------------------------|-----------------------------------------|------------------------------------------|----------------------------------------|----------------------|
| <b>Cost:</b>                            |                                         |                                          |                                        |                      |
| At 1 September 2020 and 31 August 2021  | 18,611,546                              | 10,774,162                               | 41,514,292                             | 70,900,000           |
| At 1 September 2021                     | 18,611,546                              | 10,774,162                               | 41,514,292                             | 70,900,000           |
| Acquisition during the year [Note 6(a)] | -                                       | 30,100,000                               | -                                      | 30,100,000           |
| As at 31 August 2022                    | <b>18,611,546</b>                       | <b>40,874,162</b>                        | <b>41,514,292</b>                      | <b>101,000,000</b>   |
| <b>Accumulated amortisation:</b>        |                                         |                                          |                                        |                      |
| At 1 September 2020                     | 18,611,546                              | 10,774,162                               | 28,908,226                             | 58,293,934           |
| Amortisation for the year               | -                                       | -                                        | 524,416                                | 524,416              |
| At 31 August 2021                       | 18,611,546                              | 10,774,162                               | 29,432,642                             | 58,818,350           |
| Amortisation for the year               | -                                       | 537,500                                  | 524,416                                | 1,061,916            |
| At 31 August 2022                       | <b>18,611,546</b>                       | <b>11,311,662</b>                        | <b>29,957,058</b>                      | <b>59,880,266</b>    |
| <b>Net carrying value:</b>              |                                         |                                          |                                        |                      |
| At 31 August 2022                       | -                                       | <b>29,562,500</b>                        | <b>11,557,234</b>                      | <b>41,119,734</b>    |
| At 31 August 2021                       | -                                       | -                                        | 12,081,650                             | 12,081,650           |

Taaleem acquisition: The intangible assets recognised on such acquisition were as follows:

- Brand and curriculum: The individual schools managed and operated by Taaleem LLC, though not registered for trademark, are protected by the rules of the school licensing authority, the Ministry of Education and the respective trade licensing authority in the UAE, which does not permit any third party to establish a school with the same names. As such this proved to be a deemed legal form of protection, and therefore the brand and curriculum satisfied the recognition criteria for intangible asset. Such brand and curriculum have been fully amortised as at 31 August 2022 and 2021.
- Student relationships: Taaleem LLC had established relationships with its existing students. These relationships were valuable to the extent that these students remain enrolled in the school and continue to pay tuition fee until the completion of their respective academic programme. Such student relations have been fully amortised as at 31 August 2022 and 2021.
- Below market leases: Taaleem LLC had recorded school land and buildings which are taken on long term leases. The lease agreements were entered into at rates which were significantly below the equivalent market rates existing as of the acquisition date. Accordingly, below market leases had been recognised as an intangible asset in respect of these lease agreements. As at 31 August 2022, the net carrying value is AED 11,557,234 (2021: AED 12,081,650).

Refer Note 6 (b) for details of test of impairment of goodwill and other intangible assets relating to Taaleem acquisition.

Jebel Ali School acquisition: Student relationships amounting to AED 30,100,000 was recognised on such acquisition [Note 6(a)]. Refer Note 6 (b) for test of impairment of intangible assets relating to Jebel Ali School acquisition.

## Taaileem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

## 8 (i) PROPERTY AND EQUIPMENT

|                                              | Land<br>AED | Buildings<br>AED | Leasehold<br>improvements<br>and outdoor<br>equipment<br>AED | Furniture<br>and fixtures<br>AED | Books, office<br>classroom and<br>IT equipment<br>AED | Motor<br>vehicles<br>AED | Capital<br>work-in-<br>progress<br>AED | Total<br>AED  |
|----------------------------------------------|-------------|------------------|--------------------------------------------------------------|----------------------------------|-------------------------------------------------------|--------------------------|----------------------------------------|---------------|
| <b>Cost:</b>                                 |             |                  |                                                              |                                  |                                                       |                          |                                        |               |
| At 1 September 2020                          | 148,298,121 | 848,978,718      | 50,484,379                                                   | 42,643,030                       | 106,733,620                                           | 1,097,200                | 31,788,728                             | 1,230,023,796 |
| Additions                                    | -           | -                | 1,569,787                                                    | 3,175,723                        | 10,388,436                                            | 409,964                  | 153,724,626                            | 169,268,536   |
| Disposals and write offs                     | -           | -                | (56,000)                                                     | -                                | -                                                     | (340,443)                | -                                      | (396,443)     |
| At 31 August 2021                            | 148,298,121 | 848,978,718      | 51,998,166                                                   | 45,818,753                       | 117,122,056                                           | 1,166,721                | 185,513,354                            | 1,398,895,889 |
| Additions                                    | -           | 3,973,199        | 24,261,769                                                   | 13,600,077                       | 19,996,251                                            | 314,678                  | 13,275,907                             | 75,421,881    |
| Acquisition of a subsidiary (Note 6a)        | 53,000,000  | 132,500,000      | -                                                            | 7,433,049                        | 4,291,468                                             | 140,500                  | -                                      | 197,365,017   |
| Transfers                                    | -           | 188,135,000      | -                                                            | 7,928,128                        | -                                                     | -                        | (196,063,128)                          | -             |
| Transfer to investment property (Note 8(ii)) | -           | (17,102,971)     | -                                                            | -                                | -                                                     | -                        | -                                      | (17,102,971)  |
| Disposals and write offs                     | -           | -                | -                                                            | -                                | (4,641,162)                                           | -                        | -                                      | (4,641,162)   |
| At 31 August 2022                            | 201,298,121 | 1,156,483,946    | 76,259,935                                                   | 74,780,007                       | 136,768,613                                           | 1,621,899                | 2,726,133                              | 1,649,938,654 |
| <b>Accumulated depreciation:</b>             |             |                  |                                                              |                                  |                                                       |                          |                                        |               |
| At 1 September 2020                          | -           | 238,879,606      | 17,654,747                                                   | 36,028,403                       | 95,109,612                                            | 884,663                  | -                                      | 388,557,031   |
| Charge for the year                          | -           | 29,152,185       | 3,722,200                                                    | 2,796,170                        | 8,474,394                                             | 148,737                  | -                                      | 44,293,686    |
| Disposals and write offs                     | -           | -                | -                                                            | -                                | -                                                     | (295,596)                | -                                      | (295,596)     |
| At 31 August 2021                            | -           | 268,031,791      | 21,376,947                                                   | 38,824,573                       | 103,584,006                                           | 737,804                  | -                                      | 432,555,121   |
| Charge for the year                          | -           | 36,416,824       | 4,601,745                                                    | 6,118,060                        | 10,780,655                                            | 210,049                  | -                                      | 58,127,333    |
| Acquisition of a subsidiary (Note 6a)        | -           | -                | -                                                            | 5,395,553                        | 3,509,566                                             | 140,500                  | -                                      | 9,045,619     |
| Transfer to investment property (Note 8(ii)) | -           | (5,426,670)      | -                                                            | -                                | -                                                     | -                        | -                                      | (5,426,670)   |
| Disposals and write offs                     | -           | -                | -                                                            | -                                | (4,641,162)                                           | -                        | -                                      | (4,641,162)   |
| At 31 August 2022                            | -           | 299,021,945      | 25,978,692                                                   | 50,338,186                       | 113,233,065                                           | 1,088,353                | -                                      | 489,660,241   |
| <b>Net carrying value:</b>                   |             |                  |                                                              |                                  |                                                       |                          |                                        |               |
| At 31 August 2022                            | 201,298,121 | 857,462,001      | 50,281,243                                                   | 24,441,821                       | 23,535,548                                            | 533,546                  | 2,726,133                              | 1,160,278,413 |
| At 31 August 2021                            | 148,298,121 | 580,946,927      | 30,621,219                                                   | 6,994,180                        | 13,538,050                                            | 428,917                  | 185,513,354                            | 966,340,768   |

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

### 8 (i) PROPERTY AND EQUIPMENT (continued)

- (a) Land comprises of a granted land in Mirdif, Dubai in addition to five freehold plots of land which are located in Jumeirah Islands, Jumeirah Park, Al Thanayah fourth, Emirates Hills and Dubai Studio City respectively. All these plots of land (except Dubai Studio City) are legally held in the name of Taaleem Management LLC for the beneficial interest of Taaleem LLC. Land in Dubai Studio City is legally held by Taaleem LLC.
- (b) Buildings mainly include the costs of construction, extension and refurbishment of five school buildings namely AAG, RIS, GIS, RIS-KA (phase 1) and the Group, which are constructed on leasehold land. School buildings of UIS (phases 1, 2 and 3) are constructed on granted land. DBF school building, DBS-JP school building and Dubai Studio City staff residential building are constructed on acquired freehold land. JBS building is leased. All these land leases except for RIS and JBS are in the name of Taaleem Management LLC held on behalf of Taaleem LLC. The Group's management is of the opinion that these leases will be renewed for the foreseeable future.
- (c) On 9 May 2011, Taaleem LLC received a grant in the form of a parcel of land from the Government of Dubai for construction of a school ("UIS"). The grant was conditional and stated that Taaleem LLC had to start construction of a kindergarten section within one year from the receipt of the granted land and start construction of primary, intermediary and secondary schools within three years of the receipt date of the granted land. At 31 August 2012, Taaleem LLC had completed construction of a kindergarten section ("UIS phase 1"), which became operational from September 2012. Further at 31 August 2012, the Board of Directors had reasonable assurance that other conditions attached to the granted land would be met and therefore recognised the fair value of the granted land as deferred income. The valuation of this granted land was obtained from an independent firm of surveyors and property consultants who valued it in accordance with Royal Institute of Chartered Surveyors ("RICS") appraisal and valuation manual. As per the independent valuer's report, the market value of the land amounted to AED 100 million. The independent valuer further stated in their report that in accordance with the property laws, the transfer of granted land to private title (to obtain a title deed with freehold status for the plot of land) can attract a fee of 30% of the market value of the land. Considering the title to the land was granted and taking into consideration the then prevailing laws in UAE, the Board of Directors had resolved to record the granted land at 70% of its market value in that year reflective of the price at which the granted land would have been transacted at market rates between a willing buyer and seller.

On 31 August 2014, the construction of UIS phase 3 that includes remaining parts of the intermediary and secondary section was completed which became operational in September 2014. Thereby, all conditions attached to conditional grant of the land have been met (Note 15).

- (d) During 2014, Taaleem LLC acquired a freehold plot of land in Dubai Studio City, in the Emirate of Dubai for AED 24.2 million, the consideration of which was settled by one-time payment. The sale purchase agreement ("SPA") was signed between Taaleem LLC and seller on 14 August 2014, however the title deed was received post year-end on 22 September 2014. Following the completion of design, Taaleem LLC, commenced construction of a residential tower for staff accommodation on this freehold plot. The construction of the residential tower was completed in 2016 and is now being used as staff accommodation. During 2022, the Group's management has earned a rental income of AED 394,371 (2021: AED 337,675) from leasing a few retail outlets which are part of the building used for staff accommodation.
- (e) Capital work-in-progress represents cost primarily incurred towards construction of schools in UAE.
- (f) In 2021, borrowing costs amounting to AED 1,210,954 have been capitalised as a part of qualifying assets during the year (Note 13).
- (g) Impairment testing of property and equipment – at CGU level

The CGU is defined as the individual school managed and operated by the Group.

Management identifies indicators of impairment at CGU level based on the following key parameters:

- School profitability and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA);
- School maturity; and
- Cash flow forecast at each school level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

**8 (i) PROPERTY AND EQUIPMENT (continued)**

**(g) Impairment testing of property and equipment – at CGU level (continued)**

Where indicators existed, the recoverable amount of the CGU is determined using cash flow projections based on the financial budgets approved by the Board of Directors. As at the reporting date, the recoverable amount of one of the CGU tested for impairment was assessed to be AED 14.9 million based on the fair value less cost of disposal which is the higher than the value in use. The fair value is determined based on level 3 inputs.

Key assumptions used in the recoverable amount calculations are as follows:

Management believes that the calculation of the recoverable amount for the cash-generating unit that was subject to the test of impairment is most sensitive to the following assumptions:

- Discount rate;
- Net yield rate of 9%;
- Growth in revenue; and
- Direct costs.

*Discount rate*

It represents the current assessment of risks specific to the Group taking into consideration the time value of money. A single discount rate is used on the basis that risks specific to the cash-generating unit is reflected in determining the cash flows. Management uses a discount rate of 10%.

*Revenue*

The growth rate is based on management's best estimate with regard to industry and market growth rates. This considers the historical performance of the school, its maturity of operations and regulator rating of the school. This includes two components (a) growth in student enrollment over the forecast period is 2% per annum; and (b) increase in fees expected over the forecast period is 1% per annum.

*Direct costs*

Direct costs primarily include salary costs and other administrative expenses directly related to the CGUs operations. The recoverable amount calculation takes into account such costs based on historic trends, contractual agreements (taking into consideration expected cost savings as a result of committed restructuring initiatives duly approved by the Board of Directors) and the estimated inflation to be incurred during the forecasted period.

Management has evaluated its future cash flows and believes that the likelihood of the carrying value of the CGUs exceeding their recoverable amounts is remote.

*Sensitivity to changes in key assumptions*

Estimating discounted future cash flows requires making judgements about long-term forecasts of future revenues and costs related to the CGU. These forecasts are uncertain as they require assumptions about future market conditions.

The implications of changes to the key assumptions are illustrated below:

Discount rate: an increase in discount rate by 0.5% would result in an impairment of the CGU amounting to AED 597 thousand, with all other variables remaining constant.

Revenue growth: a decrease in the assumptions used in relation of revenue growth by 0.5% over the projection period would result in an impairment of the CGU amounting to AED 209 thousand, with all other variables remaining constant.

Direct costs: an increase in the assumptions used in relation of direct costs by 0.5% over the projection period would result in an impairment of the CGU amounting to AED 1,780 thousand, with all other variables remaining constant.

Management has adequately evaluated its future cash flows and believes that the likelihood of the carrying value of the CGU exceeding their recoverable amounts is remote.

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

### 8 (ii) INVESTMENT PROPERTY

|                                                     | <b>2022</b><br><b>AED</b> |
|-----------------------------------------------------|---------------------------|
| <b>Cost:</b>                                        |                           |
| Transferred from property and equipment (Note 8(i)) | 17,102,971                |
| As at end of the year                               | <b>17,102,971</b>         |
| <b>Accumulated depreciation:</b>                    |                           |
| Transferred from property and equipment (Note 8(i)) | 5,426,670                 |
| Charge for the year                                 | 237,702                   |
| As at end of the year                               | <b>5,664,372</b>          |
| <b>Net carrying value:</b>                          |                           |
| 31 August                                           | <b>11,438,599</b>         |

Following items are recognised in consolidated statement of profit or loss relating to investment property:

|               | <b>2021</b><br><b>AED</b> |
|---------------|---------------------------|
| Rental income | <b>517,352</b>            |

Rental income and depreciation charge on the investment property are included as separate line items in the consolidated statement of profit or loss.

The Group has no significant restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

### 9 AMLAK WAKALA DEPOSITS AND EQUITY INVESTMENTS AT FVOCI

The Group had entered into a Master Wakala Agreement with Amlak Finance PJSC ("Amlak") in early 2007. Under the terms of the Master Wakala Agreement, the Group would place corporate wakala deposits with Amlak from time to time. The term of these wakala deposits would vary between 1, 3 and 6 months.

Amlak underwent various restructurings and on 25 November 2014 when the agreement was signed by all the parties, the previously recognised non-current deposit had been de-recognised and two separate financial instruments had been recognised.

In March 2021, the Group signed a settlement agreement with Amlak and received a total cash consideration of AED 20.36 million as a full settlement for both the financial instruments.

#### *Amlak wakala deposits at amortised cost*

|                                             | <b>2021</b><br><b>AED</b> |
|---------------------------------------------|---------------------------|
| Amortised cost as at 1 September 2020       |                           |
| Current portion of Amlak wakala deposit     | 1,726,137                 |
| Non-current portion of Amlak wakala deposit | 23,299,759                |
|                                             | <b>25,025,896</b>         |
| Prepayment received during the year         | (1,946,532)               |
| Impairment loss for the year                | (6,964,626)               |
| Amortised cost as at the settlement date    | <b>16,114,738</b>         |
| Proceeds received on settlement             | <b>(16,114,738)</b>       |

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

### 9 AMLAK WAKALA DEPOSITS AND EQUITY INVESTMENTS AT FVOCI (continued)

*Amlak wakala deposits classified as equity investments at FVOCI*

|                                                              | 2021<br>AED |
|--------------------------------------------------------------|-------------|
| Fair value as at 1 September 2020                            | 1,251,393   |
| Change in fair value for the year directly recognised in OCI | 2,879,508   |
| Fair value as at the settlement date                         | 4,130,901   |
| Proceeds received on settlement                              | (4,130,901) |

### 10 FEES AND OTHER RECEIVABLES

|                                                             | 2022<br>AED | 2021<br>AED |
|-------------------------------------------------------------|-------------|-------------|
| Fees receivables                                            | 6,788,302   | 5,937,581   |
| Less: allowance for impairment of fees and other receivable | (2,771,762) | (3,684,961) |
| Net fees receivable                                         | 4,016,540   | 2,252,620   |
| Prepayments*                                                | 33,879,589  | 29,787,560  |
| VAT receivables                                             | 31,397,602  | 15,748,114  |
| Deposits and advances                                       | 14,466,918  | 22,921,270  |
|                                                             | 83,760,649  | 70,709,564  |
| Less: Capital advances presented as non-current             | -           | (1,466,766) |
|                                                             | 83,760,649  | 69,242,798  |

As at 31 August 2022, fees and other receivable with a nominal value of AED 2,771,762 (31 August 2021: AED 3,684,961) were impaired. Movements in the allowance for impairment of fees and other receivable were as follows:

|                                      | 2022<br>AED | 2021<br>AED |
|--------------------------------------|-------------|-------------|
| Balance at the beginning of the year | 3,684,961   | 4,305,930   |
| Charge for the year (Note 19)        | 1,647,170   | 1,335,957   |
| On acquisition                       | 17,353      | -           |
| Written off                          | (2,577,722) | (1,956,926) |
| Balance at the end of the year       | 2,771,762   | 3,684,961   |

Set out below is the information about the credit risk exposure on the Group's fees receivable using a provision matrix:

**31 August 2022**

|                                | Current | 0-365<br>Days | >365<br>Days | Total     |
|--------------------------------|---------|---------------|--------------|-----------|
| Expected credit loss rate      | -       | 29%           | 100%         | 41%       |
| Estimated total gross carrying | -       | 5,663,710     | 1,124,592    | 6,788,302 |
| Expected credit loss           | -       | 1,647,170     | 1,124,592    | 2,771,762 |
| Net receivables                | -       | 4,016,540     | -            | 4,016,540 |

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

### 10 FEES AND OTHER RECEIVABLES (continued)

31 August 2021

|                                | <i>Current</i> | <i>0-365<br/>Days</i> | <i>&gt;365<br/>Days</i> | <i>Total</i>     |
|--------------------------------|----------------|-----------------------|-------------------------|------------------|
| Expected credit loss rate      | -              | 44%                   | 100%                    | 62%              |
| Estimated total gross carrying | -              | 4,015,791             | 1,921,790               | 5,937,581        |
| Expected credit loss           | -              | 1,763,171             | 1,921,790               | 3,684,961        |
|                                | <u>-</u>       | <u>2,252,620</u>      | <u>-</u>                | <u>2,252,620</u> |
| Net receivables                | -              | 2,252,620             | -                       | 2,252,620        |

\*Prepayments include AED 25.5 million (2021: AED 20.3 million) paid towards staff accommodation including advance house rent allowance.

### 11 WAKALA DEPOSITS

|                                                                        | <i>2022<br/>AED</i> | <i>2021<br/>AED</i> |
|------------------------------------------------------------------------|---------------------|---------------------|
| Wakala deposits                                                        | 40,066,000          | 45,131,389          |
| Less: Wakala deposits – original maturity less than 3 months (Note 12) | (40,066,000)        | -                   |
|                                                                        | <u>-</u>            | <u>45,131,389</u>   |

2022 and 2021 : Wakala deposits are placed with a local bank carrying profit mark-up rates ranging: 0.30% to 0.80% per annum.

### 12 CASH AND CASH EQUIVALENTS

|                                                                                      | <i>2022<br/>AED</i> | <i>2021<br/>AED</i> |
|--------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash in hand                                                                         | 711,106             | 295,460             |
| Cash at banks                                                                        | 186,033,121         | 184,635,347         |
| Sukuk deposits                                                                       | 16,340,250          | 8,062,880           |
| Wakala deposits (Note 11)                                                            | 40,066,000          | -                   |
|                                                                                      | <u>243,150,477</u>  | <u>192,993,687</u>  |
| (Less): Restricted cash*                                                             | (15,164,089)        | (3,513,884)         |
| Cash and cash equivalents for the purpose<br>of consolidated statement of cash flows | <u>227,986,388</u>  | <u>189,479,803</u>  |

Sukuk deposits are placed with a financial institution in UAE. Such deposits carry a profit mark-up rate ranging from 1.75% to 2% per annum (2021: 1.75% to 2% per annum) with original maturity of 3 years. These deposits are classified as cash and cash equivalent as they are redeemable at any time after 30 days from deposit date without penalty and thus highly liquid in nature i.e. readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

\*The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include AED 15,164,089 (2021: AED 3,513,884) which are held by one of the subsidiaries of the Company (i.e. Taaleem Sole Proprietorship LLC). These bank balances are held for the restricted purpose of managing the operations of the ADEK charter schools and therefore not available for use by the Group.

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 13 INTEREST BEARING LOANS AND BORROWINGS

|                                                             | 2022<br>AED  | 2021<br>AED  |
|-------------------------------------------------------------|--------------|--------------|
| As at beginning of the year                                 | 196,088,882  | 114,535,714  |
| Add: finance costs charged for the year [Note 22(a) and 24] | 7,927,585    | 3,617,116    |
| Add: loans drawn down                                       | 160,000,000  | 90,000,000   |
| Less: finance costs paid for the year                       | (7,071,159)  | (3,617,116)  |
| Less: loans repaid during the year                          | (24,523,098) | (8,446,832)  |
| As at the end of the year                                   | 332,422,210  | 196,088,882  |
| Less: Current portion                                       | (28,296,892) | (24,535,298) |
| Non-current portion                                         | 304,125,318  | 171,553,584  |

The financing carried a profit payable on a quarterly basis at the rate of 3 months Emirates Inter Bank Offer Rate (EIBOR) plus a profit mark-up per annum (2021: 3 months EIBOR plus a profit mark-up per annum).

In 2021, borrowing costs amounting to AED 1,210,954 have been capitalised as a part of qualifying assets during the year (Note 8(i)). The weighted average rate used to capitalise such borrowing costs was 3 months EIBOR plus a profit mark-up per annum.

Current interest-bearing loans and borrowings:

|                                                     | Maturity      | 2022<br>AED | 2021<br>AED |
|-----------------------------------------------------|---------------|-------------|-------------|
| Islamic facility 1                                  | February-2027 | 9,928,564   | 11,410,298  |
| Islamic facility 2                                  | November-2029 | 17,500,000  | 13,125,000  |
| Islamic facility 3                                  | July-2032     | 868,328     | -           |
| Total Current interest-bearing loans and borrowings |               | 28,296,892  | 24,535,298  |

Non-current interest-bearing loans and borrowings:

|                                                         | Maturity      | 2022<br>AED | 2021<br>AED |
|---------------------------------------------------------|---------------|-------------|-------------|
| Islamic facility 1                                      | February-2027 | 34,750,000  | 44,678,571  |
| Islamic facility 2                                      | November-2029 | 109,375,318 | 126,875,000 |
| Islamic facility 3                                      | July-2032     | 160,000,000 | -           |
| Total Non-current interest-bearing loans and borrowings |               | 304,125,318 | 171,553,571 |

All loans and borrowings are obtained in AED.

The above loans and borrowings are secured by:

- (a) Movable Asset Security Agreement.
- (b) First rank legal mortgage over following properties (amended in existing mortgage with mortgage validity 2 year beyond facilities tenor end date) covering Taaleem Holdings P.S.C., Taaleem LLC and Taaleem Management LLC
  - Plot No. 91, AI Hebah Second, Dubai (Dubai Studio City building) for AED 88.2 million in favor of the bank.
  - Plot No. 382 (25 1-4293), Mirdif, Dubai (Uptown School Mirdif) for AED 100 million in favor of the bank.
  - Plot no. 6648 (394-4046) located at AI Thanayah fourth, Dubai (Dubai British School, Dubai) for AED 40 million in favor of the bank.

Note: (in case of any request for release over mortgage of property Plot No. 91, AI Hebah Second, Dubai is subject to enhancement of the mortgage value of property located at plot no. 6648 (394-4046) located at AI Thanayah fourth, Dubai (Dubai British School, Dubai) from AED 40 million to AED 128 million).

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 13 INTEREST BEARING LOANS AND BORROWINGS (continued)

- (c) Plot No. 3923 (676-2451), Al Hebiah Third, Dubai (Jebel Ali School) for AED 205.7 million covering Ijarah III facility.
- (d) Assignment of comprehensive property all risk insurance over the mortgaged properties (with Emirates Islamic Bank PJSC being the first loss payee) , covering in a minimum the mortgage amounts.
- (e) Assignment of lease agreement of Greenfield International School on plot no. 73 (598-0249), Dubai Investment Park, Dubai, acknowledged and approved by Dubai Investment Park Development Co. LLC, covering facilities of Taaleem Management LLC.
- (f) Assignment of all receivables, cash flows, school fees from the Schools under the Taaleem Holdings P.S.C. group entities, in favor of the respective bank (each obligor / co obligor to assign entire receivables / cash flows from all Schools for facilities availed / to be availed by itself or any group entity which has availed or in future avail facilities from the bank).
- (g) Assignment of insurance over RIS-KA covering the Ijara (II) facility, in favor of the bank and in an amount acceptable to the bank.
- (h) Assignment of receivables / revenues / school fees of Jebel Ali School (JAS) and comprehensive all the risk insurance over property located in Plot No. 3923 (676-2451) Al Hebiah third.
- (i) Assignment of cash flows under POA / Wakala contract between Taaleem Holdings P.S.C. and Taaleem SPV Ltd. (or any other entity which hold assets financed by the bank) in favor of the bank.
- (j) Negative pledge on Taaleem LLC shares that Taaleem Holdings P.S.C. will not sell or encumber without prior written permission of the bank during the tenor of the facility.

The Group is required under the above facilities to comply with the following financial covenants:

- a) To maintain minimum DSCR of 1.4x at all times;
- b) Maximum net debt / EBITDA of 4x; and
- c) Maintain gearing ratio maximum of 1x at all times.

### 14 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

|                                       | 2022<br>AED       | 2021<br>AED       |
|---------------------------------------|-------------------|-------------------|
| As at beginning of the year           | 19,154,380        | 17,179,149        |
| On acquisition (Note 6a)              | 8,678,376         | -                 |
| Add: provision for the year (Note 20) | 8,490,458         | 7,599,809         |
| Less: payments made during the year   | (6,879,863)       | (5,624,578)       |
| As at the end of the year             | <u>29,443,351</u> | <u>19,154,380</u> |

The Group 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.

### 15 DEFERRED INCOME ON GOVERNMENT GRANT

|                                                              | 2022<br>AED       | 2021<br>AED       |
|--------------------------------------------------------------|-------------------|-------------------|
| At beginning of the year                                     | 51,183,274        | 53,620,574        |
| Less: transferred to profit or loss                          | (2,437,300)       | (2,437,300)       |
| As at the end of the year                                    | 48,745,974        | 51,183,274        |
| Less: Current portion of deferred income on government grant | (2,437,300)       | (2,437,300)       |
| Non-current portion of deferred income on government grant   | <u>46,308,674</u> | <u>48,745,974</u> |

The allocated amount of deferred income pertaining to granted land for UIS phases 1, 2 and 3 has been computed based on student capacity of UIS (phases 1, 2 and 3). This allocated amount is amortised over useful life of the building constructed for UIS (Note 8 (c)).

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### 16 TRADE AND OTHER PAYABLES

|                                    | 2022<br>AED        | 2021<br>AED       |
|------------------------------------|--------------------|-------------------|
| Trade payables                     | 87,945,728         | 34,632,630        |
| Accruals and provisions            | 23,979,679         | 29,987,996        |
| Retention payable                  | -                  | 12,865,468        |
| Debentures payable                 | 38,147,962         | 4,939,871         |
| Dividends payable                  | -                  | 353,749           |
|                                    | <u>150,073,369</u> | <u>82,779,714</u> |
| Less: Long-term debentures payable | (26,543,685)       | (4,228,908)       |
|                                    | <u>123,529,684</u> | <u>78,550,806</u> |

Trade payables are non-interest bearing and are normally settled on 30 to 90 days terms.

*Debentures payable:*

Debentures payable include the following:

- Debentures payable relates to proceeds on issuance of priority student seats offered at all the Taaleem Schools for third party corporates, whereby, each debenture is amortised over 15 years. As at 31 August 2022, the debentures payable amounted to AED 4.2 million (2021: AED 4.9 million).
- During the year, the Group acquired non-interest-bearing debentures as part of acquisition of Jebel Ali School (Note 6a) of AED 43.3 million. The fair value on the date of acquisition was determined to be AED 39 million which is payable to the debenture holders (i.e. students and corporates) over the period of 5 years. As at 31 August 2022, the debentures payable pertaining to Jebel Ali School amounted to AED 33.9 million.

### 17.1 REVENUE

|                                         | 2022<br>AED        | 2021<br>AED        |
|-----------------------------------------|--------------------|--------------------|
| Gross tuition fees                      | 618,773,526        | 528,020,199        |
| (Less): Discounts                       | (13,380,574)       | (13,311,494)       |
| Net tuition fees                        | <u>605,392,952</u> | <u>514,708,705</u> |
| Management fees*                        | 6,985,012          | 5,235,292          |
| Application fees (on initial admission) | 1,544,101          | 1,005,341          |
| Other operating income (Note 21.1)      | 9,410,549          | 5,888,565          |
|                                         | <u>623,332,614</u> | <u>526,837,903</u> |

Set out below is the disaggregation of the Group's revenue:

|                                             | 2022<br>AED        | 2021<br>AED        |
|---------------------------------------------|--------------------|--------------------|
| <b>Timing of revenue recognition</b>        |                    |                    |
| Services transferred over time              | 621,788,513        | 525,832,562        |
| Services transferred at a point in time     | 1,544,101          | 1,005,341          |
| Total revenue from contracts with customers | <u>623,332,614</u> | <u>526,837,903</u> |

The revenue is entirely earned in UAE.

Nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition policies are disclosed in Note 3.

\*Management fee is earned from ADEK for the management of six charter schools (2021: four schools) in Abu Dhabi, UAE under the service agreement. Management fee includes fixed management fee of AED 2,000,000 (2021: AED 2,000,000) and variable management fee of AED 4,985,012 (2021: AED 3,235,292).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 17.2 CONTRACT BALANCES

|                           | <b>2022</b><br><b>AED</b> | <b>2021</b><br><b>AED</b> |
|---------------------------|---------------------------|---------------------------|
| Fees receivable (Note 10) | <b>4,016,540</b>          | 2,252,620                 |
| Fees received in advance  | <b>264,643,267</b>        | 213,841,330               |

The amount of revenue recognised from fees received in advance at the beginning of the year is AED 213,841,330 (2021: AED 182,401,883).

### 18 OPERATING COSTS

|                                          | <b>2022</b><br><b>AED</b> | <b>2021</b><br><b>AED</b> |
|------------------------------------------|---------------------------|---------------------------|
| Staff costs and other benefits (Note 20) | <b>349,680,416</b>        | 286,121,497               |
| School supplies                          | <b>9,980,582</b>          | 5,160,745                 |
| Lease rent and service charges           | <b>3,572,210</b>          | 4,969,807                 |
| Bank charges                             | <b>3,790,920</b>          | 2,849,678                 |
| Others                                   | <b>3,283,175</b>          | 3,150,907                 |
|                                          | <b>370,307,303</b>        | 302,252,634               |

### 19 GENERAL AND ADMINISTRATIVE EXPENSES

|                                                               | <b>2022</b><br><b>AED</b> | <b>2021</b><br><b>AED</b> |
|---------------------------------------------------------------|---------------------------|---------------------------|
| Staff costs and other benefits (Note 20)                      | <b>20,119,935</b>         | 15,562,709                |
| Water and electricity charges                                 | <b>15,414,046</b>         | 14,668,278                |
| Repairs and maintenance                                       | <b>16,039,753</b>         | 11,773,716                |
| Janitorial and security                                       | <b>11,187,854</b>         | 9,465,137                 |
| Legal and professional                                        | <b>10,153,707</b>         | 5,663,498                 |
| Marketing and advertisement                                   | <b>5,376,175</b>          | 4,726,356                 |
| Board remuneration, compensation and other benefits (Note 22) | <b>3,675,000</b>          | 3,000,000                 |
| Travel and communication                                      | <b>1,265,737</b>          | 1,573,663                 |
| Printing and stationery                                       | <b>2,264,025</b>          | 1,450,866                 |
| Impairment loss on fees receivables (Note 10)                 | <b>1,647,170</b>          | 1,335,957                 |
| Office rent                                                   | <b>528,093</b>            | 490,461                   |
| Others (events, insurance, bank charges, penalties)           | <b>8,152,204</b>          | 7,011,592                 |
|                                                               | <b>95,823,699</b>         | 76,722,233                |

The Group has not made any social contribution for the years ended 31 August 2022 and 2021.

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**20 STAFF COSTS AND OTHER BENEFITS**

|                                               | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|-----------------------------------------------|---------------------------|---------------------------|
| Salary and allowances                         | 279,391,050               | 227,673,024               |
| Staff accommodation                           | 54,600,506                | 43,166,512                |
| Staff - discount on tuition fees              | 27,318,337                | 23,244,861                |
| Employees' end of service benefits (Note 14)  | 8,490,458                 | 7,599,809                 |
|                                               | <u>369,800,351</u>        | <u>301,684,206</u>        |
| <i>Staff costs are included in:</i>           |                           |                           |
| Operating costs (Note 18)                     | 349,680,416               | 286,121,497               |
| General and administrative expenses (Note 19) | 20,119,935                | 15,562,709                |
|                                               | <u>369,800,351</u>        | <u>301,684,206</u>        |

**21.1 OTHER OPERATING INCOME**

|                          | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|--------------------------|---------------------------|---------------------------|
| Income - sports activity | 5,913,078                 | 4,173,273                 |
| Debenture income         | 711,040                   | 711,040                   |
| Transport income         | 699,041                   | 413,440                   |
| Income from conferences  | 178,083                   | 377,683                   |
| Commission - uniforms    | 1,618,192                 | 102,818                   |
| Commission - cafeteria   | 291,115                   | 110,311                   |
|                          | <u>9,410,549</u>          | <u>5,888,565</u>          |

**21.2 OTHER INCOME**

|                                            | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|--------------------------------------------|---------------------------|---------------------------|
| Bad debt recoveries                        | 1,013,339                 | 1,907,782                 |
| Gain on disposal of property and equipment | 57,143                    | 78,276                    |
| Miscellaneous income                       | 11,070,787                | 2,971,796                 |
|                                            | <u>12,141,269</u>         | <u>4,957,854</u>          |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 22 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties includes the Group's shareholders, directors and other entities businesses, which are controlled directly or indirectly by the shareholders and directors, and entities over which they exercise significant management influence (hereinafter referred to as "affiliates") and key management personnel of the Group. Pricing policies and terms of these transactions are approved by the Group's management.

#### (a) Significant related party transactions

The aggregate value of significant transactions entered with related parties during the year is as follows:

|                                                                 | 2022<br>AED       | 2021<br>AED       |
|-----------------------------------------------------------------|-------------------|-------------------|
| <b>Entity with significant influence over the Group:</b>        |                   |                   |
| <b>Emirates Islamic Bank ("EIB")</b>                            |                   |                   |
| Profit from wakala deposits (Note 23)                           | 488,553           | 228,622           |
| Finance costs (Note 24)                                         | (7,927,585)       | (3,617,116)       |
| Bank borrowings obtained (Note 13)                              | 160,000,000       | 90,000,000        |
| Transaction cost incurred on borrowings                         | (912,500)         | -                 |
| Repayments of bank borrowings (Note 13)                         | (24,523,098)      | (8,446,832)       |
| Cash dividends paid                                             | (4,500,000)       | (3,500,000)       |
| <b>National Bonds Corporation ("NBC")</b>                       |                   |                   |
| Profit from sukuk deposits (Note 23)                            | 435,263           | 62,880            |
| Cash dividends paid                                             | (15,552,012)      | (10,266,242)      |
| <b>Knowledge Fund ("KF")</b>                                    |                   |                   |
| Rent payment                                                    | 369,386           | 369,386           |
| Cash dividends paid                                             | (12,273,612)      | (11,375,910)      |
| Tuition fees received from Board of Directors, net of discounts | 59,138            | 115,410           |
| <b>Compensation to key management personnel</b>                 |                   |                   |
|                                                                 | 2022<br>AED       | 2021<br>AED       |
| Short-term employee benefits                                    | 12,665,148        | 12,170,501        |
| Provision for employees' end of service benefits                | 283,345           | 276,362           |
| Tuition fee discounts                                           | 296,469           | 329,756           |
| Executive Committee and Audit Committee compensation            | 1,375,000         | 1,253,682         |
| Board remuneration, compensation and other benefits (Note 19)   | 3,675,000         | 3,000,000         |
|                                                                 | <b>18,294,962</b> | <b>17,030,301</b> |

#### (b) Related party balances

##### Due from related parties

|                                  | 2022<br>AED        | 2021<br>AED        |
|----------------------------------|--------------------|--------------------|
| <b>Emirates Islamic Bank</b>     |                    |                    |
| Bank balances (Note 12)          | 185,455,112        | 181,802,848        |
| Wakala deposits (Note 11 and 12) | 40,066,000         | 45,131,389         |
|                                  | <b>225,521,112</b> | <b>226,934,237</b> |

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**22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

*(b) Related party balances (continued)*

|                                                     | <b>2022</b><br><b>AED</b> | <b>2021</b><br><b>AED</b> |
|-----------------------------------------------------|---------------------------|---------------------------|
| <i>National Bonds Corporation</i>                   |                           |                           |
| Sukuk deposits (Note 12)                            | <b>16,340,250</b>         | 8,062,880                 |
| <i>Emirates Islamic Bank</i>                        |                           |                           |
| Loans and borrowings from a related party (Note 13) | <b>(332,422,210)</b>      | (196,088,882)             |
| <i>Knowledge Fund</i>                               |                           |                           |
| Trade (payables) / receivables                      | <b>(101,966)</b>          | 38,478                    |

**Terms and conditions of transactions with related parties**

Except for the interest-bearing loans and borrowings (secured), wakala and sukuk deposits (unsecured), other outstanding balances at the year-end are unsecured, interest free and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 August 2022, the Group has not recognised any provision for expected credit losses relating to amounts owed by the related parties (2021: Nil).

**23 FINANCE INCOME**

|                                                    | <b>2022</b><br><b>AED</b> | <b>2021</b><br><b>AED</b> |
|----------------------------------------------------|---------------------------|---------------------------|
| Profit from wakala and sukuk deposits (Note 22(a)) | <b>923,816</b>            | 291,502                   |
| Recovery of finance costs from bank                | <b>823,412</b>            | -                         |
| Profit from Amlak wakala deposits                  | -                         | 604,610                   |
|                                                    | <b>1,747,228</b>          | 896,112                   |

**24 FINANCE COSTS**

|                                                                             | <b>2022</b><br><b>AED</b> | <b>2021</b><br><b>AED</b> |
|-----------------------------------------------------------------------------|---------------------------|---------------------------|
| Finance costs on lease liabilities (Note 28(ii))                            | <b>9,921,572</b>          | 8,484,673                 |
| Finance costs on interest bearing loans and borrowings (Note 13 and 22 (a)) | <b>7,927,585</b>          | 2,406,162                 |
| Unwinding of liability towards debentures payable                           | <b>480,586</b>            | -                         |
| Unwinding impact of deferred payment for acquisition                        | <b>399,515</b>            | -                         |
|                                                                             | <b>18,729,258</b>         | 10,890,835                |

In 2021, borrowing costs amounting to AED 1,210,954 have been capitalised as a part of qualifying assets during the year (Note 8(i)).

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### 25 SHARE CAPITAL

|                                                      | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|------------------------------------------------------|---------------------------|---------------------------|
| <b>Authorised, issued and fully paid up capital:</b> |                           |                           |
| 750,000,000 ordinary shares of AED 1 each            |                           |                           |
| (2021: 750,000,000 ordinary shares of AED 1 each)    | <b>750,000,000</b>        | <b>750,000,000</b>        |

The ownership of the Company is as follows:

| <i>Name of shareholder</i>                             | <i>2022</i><br><i>% shareholding</i> | <i>2021</i><br><i>% shareholding</i> |
|--------------------------------------------------------|--------------------------------------|--------------------------------------|
| National Bonds Corporation PJSC                        | <b>23.04%</b>                        | 23.04%                               |
| Al Mal Direct Equity II Limited held by Knowledge Fund | <b>18.18%</b>                        | 18.18%                               |
| Al Mal Capital PSC                                     | <b>10.17%</b>                        | 10.17%                               |
| Other shareholders                                     | <b>48.61%</b>                        | 48.61%                               |

### 26 STATUTORY RESERVE

In accordance with the U.A.E. Federal Decree Law No. (32) of 2021, the Company and its subsidiaries have established a statutory reserve by appropriation of 10% of profit for each year until the reserve reached 50% of the share capital. This reserve is not available for distribution except in circumstances stipulated by the Law.

### 27 DIVIDENDS

During the shareholders meeting dated 13 December 2021, the shareholders approved a dividend of AED 0.09 per share amounting to AED 67,500,000 (2021: Dividend of AED 0.07 per share amounting to AED 52,500,000). Of this, dividend amounting to AED 67,500,000, along with the dividend payable of AED 353,749 as at 31 August 2021, was paid (2021: an amount of AED 52,314,657 was paid).

### 28 LEASES

The Group leases land and buildings. Lease terms and rental calculations vary between different lease agreements. The leases typically run between 20 to 50 years.

#### i. Right-of-use assets

|                                              | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|----------------------------------------------|---------------------------|---------------------------|
| At the beginning of the year                 | <b>139,554,303</b>        | 148,792,906               |
| Additional lease asset                       | <b>54,360,319</b>         | -                         |
| Impact on lease modification during the year | <b>643,197</b>            | 3,219,090                 |
| Derecognition of right-of-use assets*        | <b>(4,065,122)</b>        | -                         |
| Amortisation charge for the year             | <b>(13,361,870)</b>       | (12,457,693)              |
| At the end of the year                       | <b>177,130,827</b>        | 139,554,303               |

\* Net Investment in finance lease recognised as of the date of derecognition of the head lease amounted to AED 3,707,742 and the loss on derecognition of right-of-use recognised amounting AED 357,380. As at 31 August 2022, the carrying value of net investment in finance lease amounting AED 3,423,325 (2021: AED Nil).

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**28 LEASES (continued)**

**ii. Lease liabilities**

|                                               | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|-----------------------------------------------|---------------------------|---------------------------|
| At the beginning of the year                  | 150,145,554               | 151,162,983               |
| Additional lease liability                    | 54,360,319                | -                         |
| Finance costs on lease liabilities (Note 24)  | 9,921,572                 | 8,484,673                 |
| Impact on lease modification during the year  | 421,281                   | 3,219,090                 |
| Less: payments made against lease liabilities | (13,848,457)              | (12,721,192)              |
|                                               | <u>201,000,269</u>        | <u>150,145,554</u>        |
| At the end of the year                        | 201,000,269               | 150,145,554               |
| Less: current portion of lease liabilities    | (13,999,799)              | (5,856,994)               |
|                                               | <u>187,000,470</u>        | <u>144,288,560</u>        |

**iii. Amounts recognised in the consolidated statement of profit or loss**

|                                                                                                   | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|---------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Amortisation of right-of-use assets                                                               | 13,361,870                | 12,457,693                |
| Finance cost on lease liabilities (Note 24)                                                       | 9,921,572                 | 8,484,673                 |
| Expense relating to short term leases and low value assets (recognition exemption under IFRS 16)* | 58,700,809                | 48,626,780                |
|                                                                                                   | <u>81,984,251</u>         | <u>69,569,146</u>         |

\* Expense relating to short term leases and low value assets recorded in the consolidated statement of profit or loss are as under:

|                                          | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|------------------------------------------|---------------------------|---------------------------|
| Staff Accommodation (Note 20)            | 54,600,506                | 43,166,512                |
| Lease Rent and Service Charges (Note 18) | 3,572,210                 | 4,969,807                 |
| Office Rent (Note 19)                    | 528,093                   | 490,461                   |
|                                          | <u>58,700,809</u>         | <u>48,626,780</u>         |

**iv. Amounts recognised in the consolidated statement of cash flows**

|                                                                                                                                      | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Total cash outflows for leases (excluding cash outflow relating to recognition exemption for short-term leases and low value assets) | <u>13,848,457</u>         | <u>12,721,192</u>         |

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### 29 CONTINGENCIES AND CAPITAL COMMITMENTS

|                         | <i>2022</i><br><i>AED</i> | <i>2021</i><br><i>AED</i> |
|-------------------------|---------------------------|---------------------------|
| (a) Capital commitments | <u>7,537,058</u>          | <u>14,406,075</u>         |
| (b) Bank guarantee      | <u>169,157,090</u>        | <u>113,053,801</u>        |

The Group's capital commitments mainly relates to its on-going construction of phase II of RIS-KA in Abu Dhabi, UAE.

Bank guarantee pertains to the advance and performance guarantees issued by the Group in favor of Abu Dhabi Department of Education and Knowledge in relation to the management agreement entered by the Group and for the building of Raha International School – Khalifa City Campus. In addition, new advance and performance guarantees issued by the Group in favor of Emirates Schools Establishment in relation to the management agreement entered by the Group and new performance guarantees issued by the Group in favor of Knowledge Fund Establishment in relation to the construction of Dubai British School, Jumeirah.

### 30 SEGMENT INFORMATION

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has determined the chief operating decision maker to be its Chief Executive officer who undertakes such decision in consultation with the Board of Directors. The Group has a single reportable segment classified as "School operations" which encompasses the management, operation and related ancillary activities related to the day-to-day function of all the schools under the purview of the chief operating decision maker.

The determination of the Group's operating segment is based on the information which is reported to chief operating decision maker for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Transactions between segments, if any, are conducted at mutually agreed terms and conditions and are fully eliminated on consolidation.

#### *Geographic segments*

As at 31 August 2022, all of the business activities and operations of the Group are in the UAE.

#### *Primary segment information*

Segmental information is presented below:

*Year ended 31 August 2022 (In AED):*

|                                           | <i>School<br/>operations</i> | <i>Corporate<br/>head office</i> | <i>Consolidated</i> |
|-------------------------------------------|------------------------------|----------------------------------|---------------------|
| <b>Revenue</b>                            |                              |                                  |                     |
| External customers                        | <u>623,332,614</u>           | <u>-</u>                         | <u>623,332,614</u>  |
| <b>Finance and other income</b>           |                              |                                  |                     |
| Finance income                            | 1,747,228                    | -                                | 1,747,228           |
| Other income                              | 12,141,269                   | -                                | 12,141,269          |
| Income from deferred government grant     | <u>2,437,300</u>             | <u>-</u>                         | <u>2,437,300</u>    |
| <b>Expenses</b>                           |                              |                                  |                     |
| Staff costs                               | 360,131,381                  | 9,668,970                        | 369,800,351         |
| Operating and administrative expenses     | 94,334,913                   | 1,995,738                        | 96,330,651          |
| Depreciation, impairment and amortisation | 72,788,821                   | -                                | 72,788,821          |
| Finance costs                             | <u>18,729,258</u>            | <u>-</u>                         | <u>18,729,258</u>   |
| <b>Segmental profit</b>                   | <u>93,674,038</u>            | <u>(11,664,708)</u>              | <u>82,009,330</u>   |

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

### 30 SEGMENT INFORMATION (continued)

#### Primary segment information (continued)

Year ended 31 August 2021 (In AED):

|                                           | School operations | Corporate head office and others | Consolidated      |
|-------------------------------------------|-------------------|----------------------------------|-------------------|
| <b>Revenue</b>                            |                   |                                  |                   |
| External customers                        | 526,837,903       | -                                | 526,837,903       |
| <b>Finance and other income</b>           |                   |                                  |                   |
| Finance income                            | 896,112           | -                                | 896,112           |
| Other income                              | 4,957,854         | -                                | 4,957,854         |
| Income from deferred government grant     | 2,437,300         | -                                | 2,437,300         |
| <b>Expenses</b>                           |                   |                                  |                   |
| Staff costs                               | 292,856,060       | 8,828,146                        | 301,684,206       |
| Operating and administrative expenses     | 77,290,661        | -                                | 77,290,661        |
| Depreciation, impairment and amortisation | 67,325,061        | -                                | 67,325,061        |
| Finance costs                             | 10,890,835        | -                                | 10,890,835        |
| <b>Segmental profit</b>                   | <b>86,766,552</b> | <b>(8,828,146)</b>               | <b>77,938,406</b> |

Corporate head office is not an operating segment and comprises mainly administrative and payroll costs relating to the certain key management personnel which are not assigned to the "School operations" segment.

|                                 | 2022<br>AED       | 2021<br>AED       |
|---------------------------------|-------------------|-------------------|
| <b>Reconciliation of profit</b> |                   |                   |
| Segment profit                  | 82,009,330        | 77,938,406        |
| Rental income                   | 911,723           | 337,675           |
| Profit for the year             | <b>82,921,053</b> | <b>78,276,081</b> |

#### Other segment information

Segment assets and liabilities comprise all assets and liabilities reflected in the consolidated statement of financial position as at 31 August 2022 and 2021. This is entirely attributable to the "School operations" segment. All such assets (including capital expenditure) and liabilities are relating to the Group's operations in UAE.

### 31 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to the shareholders by weighted average number of shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent (adjusted for the effect of dilution, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 August 2022 and 2021, there were no shares which were dilutive in nature.

# Taaleem Holdings Private Joint Stock Company and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 August 2022

(All amounts in United Arab Emirates Dirham (AED), unless otherwise stated)

### 31 EARNINGS PER SHARE (continued)

The information necessary to calculate basic and diluted earnings per share is as follows:

|                                                                        | <b>2022</b><br><b>AED</b> | <b>2021</b><br><b>AED</b> |
|------------------------------------------------------------------------|---------------------------|---------------------------|
| Profit for the year attributable to equity holders of the Parent (AED) | <b>82,921,053</b>         | 78,276,081                |
| Weighted average number of shares                                      | <b>750,000,000</b>        | 750,000,000               |
| Attributable to the shareholders:                                      |                           |                           |
| Basic and diluted earnings per share (AED per share)                   | <b>0.11</b>               | 0.10                      |

### 32 IMPACT OF COVID-19

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and continue to impact the Group's operations. The Group is closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include amongst others communication plans with students, term fee discounts, waiver on application fees, flexible payment plans, introduction of various online classes facilities and measures to safeguard the welfare of the Group's employees and students at the Group's premises.

The Group has not yet seen a significant impact on the fee collections from the students post COVID-19 and is certain to operate in a similar manner in future years as well. The Group will keep these contingency measures under review as the situation is fast evolving, the effect of the outbreak is by nature subject to significant levels of uncertainty, with full range of possible effects unknown.

### 33 SUBSEQUENT EVENTS

There were no significant events subsequent to the year end that requires either adjustments or disclosures in the consolidated financial statements.

### 34 COMPARATIVE INFORMATION

Certain material comparative figures have been reclassified to conform to the presentation adopted in these consolidated financial statements as summarised in the table below:

| Particulars             | Amount in AED | Classification in previous year ended 31 August 2021 | Reclassified                              |
|-------------------------|---------------|------------------------------------------------------|-------------------------------------------|
| Other operating income  | 5,888,565     | Other income                                         | Revenue                                   |
| Restricted cash balance | 3,513,884     | Part of cash and cash equivalents                    | Netted off from cash and cash equivalents |

Such reclassifications do not affect the previously reported consolidated profit or equity.