

**FIRST EDUCATION HOLDING BSC (c)**

**CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED  
31 AUGUST 2016**

Commercial registration : 66664-1

Directors : Salem Al Noaimi (Chairman)  
Ahmad Tantash (Vice-Chairman)  
DeemaWalid Hassan Bibi  
Fahad Al Qassim  
JassemZainal  
Abdul Wahad Al Mutawa

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Principle bankers : BMI Bank  
Al Salam Bank

Auditors : KPMG Fakhro

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 August 2016**

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# First Education Holding B.S.C (c)

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## DIRECTORS' REPORT

The Board of Directors of First Education Holding BSC (c) ("the Company") is pleased to present the audited consolidated financial statements of the Company for the financial year ended 31 August 2016.

### Principal activity

The Company's principal activity is to act as a holding company to capitalize on investment opportunities in the growing MENA private education sector by acquiring and managing schools and other related businesses.

The Company owns and manages two schools namely Al Zuhour Private School LLC in Sharjah, U.A.E. and Al Maaref Private School LLC in Dubai, U.A.E. The Company also has a 60% stake in The Egyptian Child Care Corporation (SAE) that operates a chain of nurseries in Cairo, Egypt.

The Company also owns a 60% stake in Education Capital Holding W.L.L., Manama, and Kingdom of Bahrain.

These, being the subsidiaries of the Company, have been accordingly consolidated in the accompanying consolidated financial statements. The Group comprises the Company and its subsidiaries (the "Group").

### Financial Performance

The Group made a profit of USD 6.8million for the year ended 31 August 2016(2015: USD 5.4million)

### Representations and Audit

The Company's activities for the year under audit have been conducted in accordance with the Bahrain Commercial Companies Law 2001 and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 August 2016 which would in any way materially affect the consolidated financial statements.

### Directors' Fees

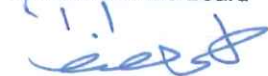
No expenses were incurred on account of Directors' fees during the year under audit.

#### List of Directors:

- Mr. Salem Al Noaimi (Chairman)
- Mr.Ahmad Tantash (Vice-Chairman)
- Ms. DeemaWalid Hassan Bibi
- Mr. Fahad Al Qassim
- Mr. JassemZainal
- Mr. Abdul Wahad Al Mutawa

The Directors above served on the Board of the Company as of the reporting date, 31 August 2016.

On behalf of the Board



Ahmad H. Tantash  
Vice Chairman  
8 January 2017

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

**First Education Holding BSC (c)**  
**Manama, Kingdom of Bahrain**

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of First Education Holding BSC (c) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 August 2016, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Responsibility of the board of directors for the consolidated financial statements**

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

**We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.**

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)**

**Report on other regulatory requirements**

As required by the Bahrain Commercial Companies Law, we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the directors' report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.



KPMG Fakhro  
Partner Registration No. 83  
25 January 2017

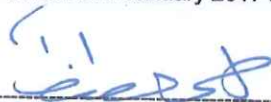


**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 August 2016**

USD

	Notes	31 August 2016	31 August 2015 (Restated note 29)
<b>Assets</b>			
<b>Current assets</b>			
Bank balances and cash	5	11,539,256	11,561,963
Fees, prepayments and other receivables	6	1,658,377	627,133
Inventories	24	1,381,701	1,322,119
<b>Total current assets</b>		<b>14,579,334</b>	<b>13,511,215</b>
<b>Non-current assets</b>			
Goodwill	7	22,923,645	22,923,645
Property and equipment	8	28,845,919	26,780,185
<b>Total non-current assets</b>		<b>51,769,564</b>	<b>49,703,830</b>
<b>Total assets</b>		<b>66,348,898</b>	<b>63,215,045</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Bank borrowings	9	105,585	119,772
Trade and other payables	10	2,799,182	3,082,850
Fees received in advance	25	4,546,788	4,372,110
Dividend Payable	22	2,652,557	1,468,247
<b>Total current liabilities</b>		<b>10,104,112</b>	<b>9,042,979</b>
<b>Non-current liabilities</b>			
Non-current portion of retention payable		-	238,293
Provision for employees' end-of-service indemnity	12	848,277	738,289
<b>Total non-current liabilities</b>		<b>848,277</b>	<b>976,582</b>
<b>Total liabilities</b>		<b>10,952,389</b>	<b>10,019,561</b>
<b>Equity</b>			
Share capital	13	37,996,797	37,996,797
Statutory reserve	14	2,556,233	1,890,229
Foreign currency translation reserve		(45,888)	(92,519)
Land revaluation reserve		8,488,881	8,488,881
Retained Earnings		6,330,348	4,836,309
<b>Total equity attributable to equity holders of the Company (page 7)</b>		<b>55,326,371</b>	<b>53,119,697</b>
Non-controlling interests	15	70,138	75,787
<b>Total equity</b>		<b>55,396,509</b>	<b>53,195,484</b>
<b>Total liabilities and equity</b>		<b>66,348,898</b>	<b>63,215,045</b>

The consolidated financial statements on pages 4 to 27 were approved and authorised for issue by the Board of Directors 8 January 2017 and signed on its behalf by:

  
 Ahmad H. Tantash  
 Vice Chairman

  
 Jassem Zainal  
 Director

The notes on pages 9 to 27 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**for the year ended 31 August 2016**

USD

	Notes	2016	2015 (Restated note 29)
<b>Continuing operations</b>			
Revenue	26	21,594,452	19,042,369
Direct cost	16	(12,711,133)	(11,580,713)
<b>Gross profit</b>		<b>8,883,319</b>	<b>7,461,656</b>
General and administrative expenses	17	(2,461,251)	(2,406,710)
Finance cost	27	(32,806)	(47,249)
Other income	28	467,197	391,456
<b>Profit for the year from continuing operations</b>		<b>6,856,459</b>	<b>5,399,153</b>
<b>Discontinued operations</b>			
(Loss)/ profit from discontinued operations	23	(15,347)	30,447
<b>Profit for the year</b>		<b>6,841,112</b>	<b>5,429,600</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		6,660,043	5,370,788
Non-controlling interests		181,069	58,812
		<b>6,841,112</b>	<b>5,429,600</b>

The consolidated financial statements on pages 4 to 27 were approved and authorised for issue by the Board of Directors on 8 January 2017 and signed on its behalf by:



Ahmad H. Tantash  
Vice Chairman



Jassem Zainal  
Director

The notes on pages 9 to 27 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 August 2016**

USD

	2016	2015 (Restated note 29)
Profit for the year	6,841,112	5,429,600
<i>Other comprehensive income:</i>		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation gain recognized directly in equity	77,719	21,373
Other comprehensive income for the year	77,719	21,373
Total comprehensive income for the year	6,918,831	5,450,973
Total comprehensive income attributable to:		
Equity holders of the Company	6,706,674	5,383,610
Non-controlling interests	212,157	67,363
	6,918,831	5,450,973

The notes on pages 9 to 27 are an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 August 2016

USD

2016	Note	Total equity attributable to equity holders of the Company						Non-controlling interests	Total
		Share capital	Statutory reserve	Foreign currency translation reserve	Land revaluation reserve	Retained earnings	Total		
		37,996,797	1,890,229	(92,519)	8,488,881	4,836,309	53,119,697	75,787	53,195,484
Balance at 1 September 2015		-	-	-	-	6,660,043	6,660,043	181,069	6,841,112
Profit for the year		-	-	46,631	-	-	46,631	31,088	77,719
Other comprehensive income for the year		-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	46,631	-	6,660,043	6,706,674	212,157	6,918,831
Dividend declared	22	-	-	-	-	(4,500,000)	(4,500,000)	(217,806)	(4,717,806)
Transferred to statutory reserve		-	666,004	-	-	(666,004)	-	-	-
Balance at 31 August 2016		37,996,797	2,556,233	(45,888)	8,488,881	6,330,348	55,326,371	70,138	55,396,509

2015 (Restated)		Total equity attributable to equity holders of the Company						Non-controlling interests	Total
		Share capital	Statutory reserve	Foreign currency translation reserve	Land revaluation reserve	Retained earnings	Total		
		37,996,797	1,353,150	(105,343)	8,488,881	4,502,600	52,236,085	308,426	52,544,511
Balance at 1 September 2014		-	-	-	-	5,370,788	5,370,788	58,812	5,429,600
Profit for the year		-	-	12,824	-	-	12,824	8,549	21,373
Other comprehensive income for the year		-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	12,824	-	5,370,788	5,383,612	67,361	5,450,973
Dividend declared		-	-	-	-	(4,500,000)	(4,500,000)	(300,000)	(4,800,000)
Transferred to statutory reserve		-	537,079	-	-	(537,079)	-	-	-
Balance at 31 August 2015		37,996,797	1,890,229	(92,519)	8,488,881	4,836,309	53,119,697	75,787	53,195,484

The notes on pages 9 to 27 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended 31 August 2016**

USD

	Notes	31 August 2016	31 August 2015 (Restated note 29)
<b>Cash flows from operating activities</b>			
Profit for the year		6,841,112	5,429,600
Adjustments for:			
Depreciation of property and equipment	8	559,873	625,166
Finance cost		32,806	47,249
Finance income		(65,042)	(34,891)
Provision for bad debt	6	208,485	137,158
Provision for employees' end-of-service indemnity (net)		166,374	72,612
<b>Operating cash flows before changes in operating assets and liabilities</b>		<b>7,743,608</b>	<b>6,276,894</b>
Increase in fees and other receivables		(1,239,729)	(112,012)
(Increase) /decrease in inventories		(59,585)	148,064
Decrease in trade and other payables		(521,961)	(88,448)
Increase in fees received in advance		174,678	1,227,477
Amounts paid to employee's end of service indemnity		(56,386)	(38,154)
<b>Net cash generated from operating activities</b>		<b>6,040,625</b>	<b>7,413,821</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(2,629,856)	(4,050,824)
Investment in fixed deposits		(496,868)	109,087
Proceeds from sale of fixed Assets		4,250	405
Interest income		65,042	34,891
<b>Net cash used in investing activities</b>		<b>(3,057,432)</b>	<b>(3,906,441)</b>
<b>Cash flows from financing activities</b>			
Dividend Paid		(3,533,495)	(5,050,617)
Repayment of bank borrowings		(14,186)	(16,206)
Finance cost		(32,806)	(47,249)
<b>Net cash used in financing activities</b>		<b>(3,580,487)</b>	<b>(5,114,072)</b>
<b>Net decreases in cash and cash equivalents during the year</b>		<b>(597,294)</b>	<b>(1,606,692)</b>
Effects of exchange rate changes on the balances for subsidiary held in foreign currencies		77,719	21,373
Cash and cash equivalents at the beginning of the year	5	8,044,301	9,629,620
<b>Cash and cash equivalents at the end of the year</b>	5	<b>7,524,726</b>	<b>8,044,301</b>

The notes on pages 9 to 27 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 August 2016**

USD

**1. REPORTING ENTITY**

First Education Holding BSC (c) ("the Company") is a Bahraini Shareholding Company (closed), established and registered in the Kingdom of Bahrain with the Ministry of Industry and Commerce under commercial registration number 66664-1.

The Company's principal activity is to act as a holding company to capitalize on investment opportunities in the growing MENA private education sector by acquiring and managing schools and other related businesses.

The Group comprises the Company and its subsidiaries ("the Group").

Details of the Company's subsidiaries as of 31 August 2016 were as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership and voting power held by the group	Beneficial interest	Principal activity
The Egyptian Child Care Corporation SAE *	Arab Republic of Egypt	60%	60%	Educational services
Al Zuhour Private School LLC	United Arab Emirates	49%	100%	Educational services
Al Maaref Private School LLC	United Arab Emirates	49%	100%	Educational services
Education Capital Holding WLL	Kingdom of Bahrain	60%	60%	Management of educational companies

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the applicable requirements of Bahrain Commercial Companies Law.

**b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis and accrual basis of accounting, except for the revaluation of the land under property and equipment. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These consolidated financial statements are presented in United States Dollars (USD), as it is the functional currency of the Group and the presentation currency for the consolidated financial statements.

**c) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 August 2016**

USD

**2. BASIS OF PREPARATION (continued)**

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group has used its beneficial interests in the subsidiaries for the purpose of preparing these consolidated financial statements.

**c) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are premeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

**Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of profit or loss as a bargain purchase gain.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 August 2016**

USD

**2. BASIS OF PREPARATION (continued)**

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal or liquidation of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on such instances.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**a) New standard, amendment and interpretations**

The following standards, amendments and interpretations, which became effective for annual periods beginning on or after 1 January 2015, are relevant to the Group:

*Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles various standards*

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The adoption of this amendment had no significant impact on the consolidated financial statements.

*New standards, amendments and interpretations issued but not yet effective*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 September 2015, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

*IFRS 9 Financial instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and Measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 August 2016**

USD

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*IFRS 16 Leases*

International Accounting Standards Board has introduced a new leases standard, IFRS 16, which supersedes IAS 17 leases. The Company is required to apply IFRS 16 with effect from 1 January 2019. The Company can choose to apply IFRS 16 before that date but only if it applies IFRS 15 Revenue from Contracts with Customers. A lessee can choose to apply the standard retrospectively to all accounting periods at the date of initial application. The Company is not required to reassess whether existing contracts contain a lease but can choose to apply IFRS 16 to leases identified applying IAS 17, and not apply IFRS 16 to other contracts. The new standard require the lessee to recognise the operating lease commitment on balance sheet. IFRS 16 does not require a lessee to recognise assets and liabilities for short-term leases (12 months or less), for leases ending within 12 months of the date of first applying the new standard and, for leases of low-value assets such as personal computers.

The management of the Company does not intend to adopt these standards early and the extent of the impact has not been determined.

*Annual Improvements to IFRSs 2012-2014 Cycle - various standards.*

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply. The Group is assessing the potential impact on its (consolidated) financial statements resulting from the application.

**b) Assets held-for-sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

**c) Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 August 2016**

USD

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represent amounts receivable for services provided in the normal course of business and stated net of refunds/discounts given during the year.

Revenue mainly comprises of tuition fee, sale of books, commission on sale of student uniforms, transportation fee, entrance exam fee, registration fee and other associated charges and represents the fees relating to the academic year September to August.

*Rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Group;
- (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and,
- (d) the costs incurred for the transaction and the costs to complete the transaction can measured reliably.

**e) Interest income**

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**f) Foreign currencies**

The consolidated financial statements are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in United States Dollars ("USD"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised as profit or loss in the consolidated statement of profit or loss in the year in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised as profit or loss on disposal of the net investment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 August 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

**g) Property and equipment**

Land, held for use in the supply of services or for administrative purposes, is stated at its revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using the fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such asset is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the consolidated statement of profit or loss, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land is charged to the consolidated statement of profit or loss to the extent that it exceeds the balance, if any, held in the land revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Property and equipment, other than land, are carried at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within the profit or loss.

*Subsequent costs*

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the profit or loss as incurred.

Depreciation is charged so as to write-off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	Years
Building	25
Furniture & Fixture	4
Office Equipment	3-4
Motor vehicles	5
Tools	10

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of profit or loss.

Capital work-in-progress is carried at cost. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

**h) Impairment of tangible and intangible assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation reserve increase.

**i) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the First In First Out (FIFO) method and it includes the purchase price and all other costs required to bring inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**j) 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 the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 August 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k) Provision for employees' end-of-service benefits**

The entities within the Group provide end-of-service benefits to all its expatriate employees. The entitlement to these benefits is based upon the employee's 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 the employment.

**l) Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as a lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**m) Financial assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

**n) Loans and receivables**

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**o) Impairment of financial assets**

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of comprehensive income.

**p) Borrowing costs**

Borrowing costs are recognised in the statement of profit or loss in the year in which they are incurred.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 August 2016**

USD

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q) Derecognition of financial assets and financial liabilities**

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

*Financial liabilities*

Financial liabilities are classified as either financial liabilities or 'other financial liabilities'.

*Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**r) Statutory reserve**

In accordance with the Bahrain Commercial Companies Law 2001, 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid up share capital. This reserve is not normally distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included under.

**Critical judgments in applying accounting policies**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**  
*(continued)*

**Impairment losses on fees and other receivables**

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

**Estimated useful life and residual value of property and equipment**

The Company's management determines the estimated useful lives and related depreciation charges for its property and equipment on an annual basis and make adjustments to the residual values and remaining useful lives of the assets for the current or future periods, if required.

**Impairment losses on property and equipment**

The Company reviews its property and equipment to assess, if there is an indication of impairment. In determining whether impairment losses should be reported in the profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a reduction in the carrying value of property and equipment. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property and equipment.

**Provision for slow moving and obsolete inventories**

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

**5. BANK BALANCES AND CASH**

	<b>31 August 2016</b>	<b>31 August 2015 (Restated – note 29)</b>
Bank current accounts	7,501,066	8,007,698
Cash on hand	23,660	36,603
Cash and cash equivalents	7,524,726	8,044,301
Fixed deposits with maturity after 3 months	4,014,530	3,517,662
<b>Bank balances and cash</b>	<b>11,539,256</b>	<b>11,561,963</b>

The Group earns interest on fixed deposits at the rate 1.75% per annum (2015: 0.65% per annum). Fixed deposit maturities are more than 3 months from the date of deposits.

As at 31 August 2016, fixed deposits of USD231,146(2015:USD208,277) were pledged as cash collateral against the bank guarantees issued. Bank guarantees represent labour guarantees for expatriate employees' visa process (note 20).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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USD

**6. FEES, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>31 August 2016</b>	<b>31 August 2015 (Restated – note 29)</b>
Fees receivable	852,337	660,085
Less: Allowance for doubtful debts*	(497,823)	(382,925)
	<b>354,514</b>	<b>277,160</b>
Other receivables	99,603	78,345
Less: Provisions	(8,890)	-
Advances and prepayments	1,213,150	271,628
	<b>1,658,377</b>	<b>627,133</b>

No interest is charged on the fees receivables if not collected after the credit period.

\*Allowance for doubtful debts movements were as follows:

	<b>31 August 2016</b>	<b>31 August 2015 (Restated – note 29)</b>
Balance at the beginning of the year	382,925	306,722
Add: Provision charged during the year	208,485	137,158
Less: Provision reversed during the year	(93,587)	(60,955)
<b>Balance at the end of the year</b>	<b>497,823</b>	<b>382,925</b>

In determining the recoverability of the fee and notes receivable, the Group considers any change in the credit quality of the fee and notes receivable from the date credit was initially granted up to the reporting date.

**7. GOODWILL**

	<b>31 August 2016</b>	<b>31 August 2015</b>
Goodwill for the acquisition of Al Zuhour Private School LLC	7,507,579	7,507,579
Goodwill for the acquisition of Al Maaref Private School LLC	14,969,378	14,969,378
Goodwill for the acquisition of Education Capital Holding WLL	446,688	446,688
	<b>22,923,645</b>	<b>22,923,645</b>

The goodwill has been assessed for impairment by evaluating the fair value of the acquisitions using several methodologies including:

A- Discounted Cash Flows: School cash flows were projected for a period of 7 years using student growth rates based on school capacity and costs were grown at inflation. Terminal value was calculated at a conservative 1.5% perpetuity growth;

B - Discounted Cash Flows: For Education Capital, the assessment was based on net realizable value of the investee;

C - Multiplying the acquisition EBITDA multiple to current year EBITDA to arrive at fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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8. PROPERTY AND EQUIPMENT <sup>(restated)</sup>										USD
Cost	Land	Building	Furniture, fixture & office equipment	Computer equipment	Motor vehicles	Tools	Leasehold improvements	Building Work in progress	Total	
At 01 September 2014 (restated)	15,542,352	8,092,438	2,159,420	171,021	2,124,407	166,114	443,281	6,183	28,705,216	
Additions	-	-	122,474	3,342	18,536	353	15,157	5,203,984	5,363,846	
Disposals	-	-	(5,965)	(1,552)	-	(919)	-	-	(8,436)	
At 31 August 2015	15,542,352	8,092,438	2,275,929	172,811	2,142,943	165,548	458,438	5,210,167	34,060,626	
At 01 September 2015	15,542,352	8,092,438	2,275,929	172,811	2,142,943	165,548	458,438	5,210,167	34,060,626	
Additions	-	-	252,891	3,481	13,590	4,382	3,450	2,392,776	2,670,570	
Transfer from CWIP	-	-	22,237	-	-	-	-	(22,237)	-	
Disposal	-	-	(94,283)	(10,080)	(18,536)	(736)	(145,388)	-	(269,025)	
At 31 August 2016	15,542,352	8,092,438	2,456,774	166,212	2,137,997	169,192	316,500	7,580,706	36,462,171	
<b>Accumulated Depreciation</b>										
At 01 September 2014 (restated)	-	2,264,248	1,649,129	133,861	2,092,201	155,498	368,369	-	6,663,306	
Charge for the year	-	317,955	205,909	19,541	32,397	3,079	46,285	-	625,166	
Disposal	-	-	(6,155)	(1,547)	-	(329)	-	-	(8,031)	
At 31 August 2015	-	2,582,203	1,848,883	151,855	2,124,598	158,248	414,654	-	7,280,441	
At 01 September 2015	-	2,582,203	1,848,883	151,855	2,124,598	158,248	414,654	-	7,280,441	
Charge for the year	-	317,953	198,998	13,568	4,755	3,182	21,417	-	559,873	
Disposals	-	-	(65,679)	(9,693)	(4,946)	(643)	(143,101)	-	(224,062)	
At 31 August 2016	-	2,900,156	1,982,202	155,730	2,124,407	160,787	292,970	-	7,616,252	
<b>Carrying value</b>										
31 August 2016	15,542,352	5,192,282	474,572	10,482	13,590	8,405	23,530	7,580,706	28,845,919	
31 August 2015	15,542,352	5,510,235	427,046	20,956	18,345	7,300	43,784	5,210,167	26,780,185	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 August 2016**

USD

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

The land on which the school building is constructed is presented at the revaluation amount and was revalued in October 2015 based on an independent valuation undertaken by an independent valuer. The independent valuations were based on an open market basis for existing use. The difference between the carrying amount and the revaluation amount is presented under equity as land revaluation reserve. Based on the valuation carried out by an independent valuer, the fair value of the land is not significantly different from its carrying value, hence no revaluation gain or loss has been recorded. Management has carried out an internal assessment of land as at 31 August 2016 and has concluded that the fair valuation is not significantly different from the fair value as at 31 August 2015.

Management began construction on the vacant portion of the land to further expand the school premises and facilities, which has been substantially completed during the year.

The land on which school building has been constructed is registered in the name of third party for the beneficial interest of the Group.

One of the Group's buildings with carrying value of USD 3.1 million (2014: US\$ 3.4 million) is erected on a plot of land leased from Dubai Real Estate Corporation on an annual basis. The Directors are of the opinion that the lease for land of the building will continue to be available to the Group on an ongoing basis for the foreseeable future.

Depreciation is allocated as follows:

	Year ended 31 August 2016	Year ended 31 August 2015 (Restated - note 29)
Direct cost (note 16)	521,828	565,242
Discontinued operations	2,140	19,152
General and administrative expenses (note 17)	35,905	40,772
	<b>559,873</b>	<b>625,166</b>

**9. BANK BORROWINGS**

	31 August 2016	31 August 2015
Bank borrowings repayable as follows		
Within one year	105,585	119,772
	<b>105,585</b>	<b>119,772</b>

**10. TRADE AND OTHER PAYABLES**

	31 August 2016	31 August 2015 (Restated - note 29)
Trade accounts payable	1,885,147	1,370,968
Other payables	914,035	1,711,882
	<b>2,799,182</b>	<b>3,082,850</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**11. RELATED PARTY TRANSACTIONS**

The group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. Related parties are comprised of companies and entities under common ownership and/or common management and control and key management personnel.

**Compensation to key management personnel**

	31 August 2016	31 August 2015
- Salaries and other short-term employee benefits	286,477	228,372
- Gratuity paid	8,316	-
- Provision for staff terminal benefits	11,124	20,195

**12. PROVISION FOR EMPLOYEES' END-OF-SERVICE INDEMNITY**

	31 August 2016	31 August 2015 (Restated - note 29)
Balance at the beginning of the year	738,289	703,830
Net charges during the year	166,374	72,613
Amount paid	(56,386)	(38,154)
	<b>848,277</b>	<b>738,289</b>

The provision for staff terminal benefits is calculated in accordance with respective Labour Law and is based on the liability that would arise if the employment of all the Company's staff were terminated on the reporting date. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

**13. SHARE CAPITAL**

Authorised share capital of 100,000,000  
 Shares of USD 1 per share

Paid up share capital as at 31 August 2016

USD
100,000,000
37,996,797

**14. STATUTORY RESERVE**

As required by the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the issued share capital. The reserve is not available for distribution, except in the circumstances stipulated in the Bahrain Commercial Companies Law.

**15. NON-CONTROLLING INTERESTS**

	31 August 2016	31 August 2015
Balance at the beginning of the year	75,787	308,426
Non-controlling interest's share of profit for the year	181,069	58,812
Non-controlling interest's share of other comprehensive income for the year	31,088	8,549
Non-controlling interest's share of dividend declared	(217,806)	(300,000)
	<b>70,138</b>	<b>75,787</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**16. DIRECT COST**

	Year ended 31 August 2016	Year ended 31 August 2015 (Restated - note 29)
Salaries, wages and other benefits	9,031,686	8,172,626
Depreciation of property and equipment (note 8)	521,828	565,242
Books, uniforms and others	1,502,523	1,277,205
Other expenses	1,655,096	1,565,640
	<b>12,711,133</b>	<b>11,580,713</b>

**17. GENERAL AND ADMINISTRATIVE EXPENSES**

	Year ended 31 August 2016	Year ended 31 August 2015 (Restated - note 29)
Professional expenses	36,098	140,002
Rent	211,685	225,364
Electricity and water	326,253	276,599
Maintenance	249,464	174,586
License and legal expenses	42,605	60,410
Depreciation of property and equipment (note 8)	35,905	40,772
Provision for bad debt	208,485	137,158
Cleaning expenses	86,167	62,074
Insurance	117,851	40,050
Telephone expenses	55,049	55,780
Printing and stationery	111,787	116,151
Staff training	71,609	19,677
Sponsorship fee	65,342	54,450
Software license	46,090	70,556
Entertainment expenses	46,596	35,304
Government Expenses	87,739	63,472
Bench Mark & Accreditation	40,436	16,119
Activities expenses	36,543	36,880
Advertisement expenses	8,686	5,576
Registration expenses	16,597	18,448
Salary and Allowances	142,596	378,128
Other expenses	417,668	379,154
	<b>2,461,251</b>	<b>2,406,710</b>

**18. RISK MANAGEMENT**

Risk management is an integral part of the Group's decision-making process and is ensured through an ongoing process of risk identification, measurement and monitoring subject to risk limits and other controls. The Group is exposed to credit risk, liquidity risk, interest rate risk and currency risk. It is also subject to operating risks. The risk control processes include business risk such as changes in the environment, technology and industry and are monitored through the Group's strategic planning process.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**18. RISK MANAGEMENT (continued)**

**a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by dealing only with recognized,

creditworthy third parties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties and limits the duration of exposures. The Group is exposed to credit risk on its bank balances and receivables and other assets.

The table below shows the gross maximum exposure to credit risk arising from balances with Groups' receivables and other assets as at 31 August:

	<b>Gross maximum exposure 2016</b>	<b>Gross maximum exposure 2015 (Restated - note 29)</b>
Bank balances	11,515,596	11,525,360
Fees and other receivables	445,227	355,505
<b>Total</b>	<b>11,960,823</b>	<b>11,880,865</b>

**b) Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

*Foreign currency risk management*

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management undertakes suitable procedures to minimize risks associated with transactions denominated in currencies other than the functional currency

*Interest rate risk*

The Group is not exposed to interest rate risk as the Group mainly borrows funds at fixed interest rates from external parties. The funds borrowed from related parties are interest free.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit this risk, management ensures that there are sufficient liquid assets to meet its short term cash requirements and adequate bank lines are available.

The maturity profile of the financial liabilities as at 31 August 2016 based on contractual undiscounted repayment obligations is as follows:

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**18. RISK MANAGEMENT (continued)**

2016	Carrying value	Gross nominal outflow	Less than 12 months	More than 12 months
<b>Liabilities</b>				
Trade and other payables	2,799,182	2,799,182	2,799,182	-
Bank Borrowings	105,585	105,585	105,585	-
Dividend payable	2,652,557	2,652,557	2,652,557	-
<b>Total financial liabilities</b>	<b>5,557,324</b>	<b>5,557,324</b>	<b>5,557,324</b>	<b>-</b>

The maturity profile of the financial liabilities as at 31 August 2015 based on contractual undiscounted repayment obligations is as follows:

2015	Carrying value	Gross nominal outflow	Less than 12 months	More than 12 months
<b>Liabilities</b>				
Trade and other payables	3,082,850	3,082,850	3,082,850	-
Bank Borrowings	119,772	119,772	119,772	-
Dividend payable	1,468,247	1,468,247	1,468,247	-
<b>Total financial liabilities</b>	<b>4,670,869</b>	<b>4,670,869</b>	<b>4,670,869</b>	<b>-</b>

**d) Fair value versus carrying amounts**

The fair value of the financial assets and liabilities of the Group approximate their carrying values.

**19. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity capital. The Group's overall strategy remains unchanged from 2011.

**Capital gearing ratio**

The Group reviews the capital structure on a quarterly basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

The gearing ratio at the year-end was as follows:

	31 August 2016	31 August 2015 (Restated - note 29)
Debt (i)	(105,585)	(119,772)
Bank balances and cash	11,539,256	11,561,963
Net cash / (debt)	<b>11,433,671</b>	<b>11,442,191</b>
Shareholders' Equity (ii)	<b>55,396,509</b>	<b>53,195,484</b>
Net debt to equity ratio (times)	<b>N/A</b>	<b>N/A</b>

(i) Debt is defined as bank borrowings

(ii) Shareholders' equity includes capital reserves, and retained earnings.

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**20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

	31 August 2016	31 August 2015
Bank guarantees	231,146	208,277
	<b>231,146</b>	<b>208,277</b>

Bank guarantees represent labour guarantees and are secured against 100% cash margin deposited with the banks (note 5). In December 2013, the management committed to spend \$ 7.13 million for the school expansion project which was further increased to \$ 8.16 million. The capital commitments of the Company amount to \$ 544 thousand as at 31 August 2016 (2015: \$ 2.02 million).

**21. OPERATING LEASE COMMITMENTS**

*Leases as lessee*

Non-cancellable operating lease rentals are payable as follows:

	31 August 2016	31 August 2015
Less than one year	173,187	173,244

As described in note 8, one of the Group's buildings with carrying value of US\$ 2.94 million (2015: US\$ 3.1 million) is erected on a plot of land leased from Dubai Real Estate Corporation on an annual basis. The rental contract for the land runs from January 1 to December 31 each year and is renewable annually.

**22. DIVIDEND PAYABLE**

	31 August 2016	31 August 2015
Dividend payable by First Education Holding BSC (c)	2,652,557	1,468,247
	<b>2,652,557</b>	<b>1,468,247</b>

The shareholders resolved in their Annual General Meeting held on 12 January 2016 to distribute a dividend of US\$ 4,500,000 for the financial year ended 31 August 2015.

**23. DISCONTINUED OPERATIONS**

Based on the approval of the shareholders on the extra ordinary general assembly held on 19 August 2015, the management decided to close El- Karma centre of EC3 on December 2015 and the below are the significant transactions at the centre during 2016 and 2015.

	31 August 2016	31 August 2015
Net sales revenue	76,696	417,004
Cost of Sales	(91,632)	(383,697)
Other expenses	(411)	(2,860)
Net result of operation	<b>(15,347)</b>	<b>30,447</b>



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**24. INVENTORY**

	<b>31 August 2016</b>	<b>31 August 2015 (Restated - note 29)</b>
Uniform	194,731	142,739
Books	1,326,756	1,176,758
Others	3,149	2,622
Provision for slow moving inventories during the year 2015-16	(142,935)	-
	<b>1,381,701</b>	<b>1,322,119</b>

**25. FEE RECEIVED IN ADVANCE**

	<b>31 August 2016</b>	<b>31 August 2015 (Restated -note 29)</b>
Deferred Revenue	4,546,788	4,372,110
	<b>4,546,788</b>	<b>4,372,110</b>

Tuition fee received in advance represent the amount received from students before 31 August 2016 on account of the next academic year fees that starts from 1 September 2016 to 31 August 2017

**26. REVENUE**

	<b>31 August 2016</b>	<b>31 August 2015</b>
Tuition Fee	16,734,929	15,032,523
Health Fee	188,243	174,741
Uniform Revenue	385,835	251,800
Registration & Admission	156,850	112,394
Transportation Revenue	1,995,997	1,703,815
Books Revenue	2,132,598	1,767,096
	<b>21,594,452</b>	<b>19,042,369</b>

**27. FINANCE COST**

	<b>31 August 2016</b>	<b>31 August 2015 (Restated - note 29)</b>
Interest & Bank Charges	32,806	47,249
	<b>32,806</b>	<b>47,249</b>

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**28. OTHER INCOME**

	<b>31 August 2016</b>	<b>31 August 2015 (Restated -note 29)</b>
Rental Income	160,632	148,652
Activities& Others	74,495	180,058
Finance Income	65,042	34,891
Recoveries	167,028	27,855
	<b>467,197</b>	<b>391,456</b>

**29. COMPARATIVES**

In previous period, the Group has re-classified its investment in a subsidiary, Egyptian Child Care Corporation, as asset held-for-sale. During the year, because the investment no longer meets the criteria to be classified as held-for-sale, this was re-classified as held-for-use. In accordance with IFRS 5 "*Non-Current Assets, Held-For-Sale and Discontinued Operations*", upon reclassification as held-for-use, the subsidiary was consolidated on a line by line basis including earlier periods resulting in restatement of the prior year as if the subsidiary had always been consolidated. The reclassification has resulted in depreciation of property and equipment amounting to \$ 43,340 (2015: \$ 79,644) being recognized and decreasing the previously reported net profit by the same amount.