Taaleem Holdings P.S.C. (Private Joint Stock Company) and its subsidiaries

Directors' report and consolidated financial statements for the year ended 31 August 2020

Taaleem Holdings P.S.C. (Private Joint Stock Company) and its subsidiaries

Directors' report and consolidated financial statements for the year ended 31 August 2020

	Pages
Directors' report	1 – 2
Independent auditors' report	3 – 6
Consolidated statement of financial position	7 – 8
Consolidated statement of comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12 – 52

DIRECTORS' REPORT

The Board of Directors has the pleasure of presenting the annual report and audited consolidated financial statements of Taaleem Holdings P.S.C. (Private Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 August 2020.

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 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.

DIRECTORS' REPORT (continued)

Principal activities and business review (continued)

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 2018-19, 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 public schools, starting from the academic year 2019-20.

Three new entities were incorporated during the year 2019, which were: Taaleem SPV Limited, Taaleem Holdings Sole Proprietorship LLC and Raha International School Khalifa-A.

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.

Results

The results of the Group for the year ended 31 August 2020 are set out on page 9 of the 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 2020.

Transactions with related parties

The consolidated financial statements disclose 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.

Auditors

KPMG were appointed as external auditors for the Group for the year ended 31 August 2020. KPMG have expressed their willingness to continue in office. A resolution for the reappointment of the auditors will be proposed at the forthcoming Annual General Meeting.

.....
Chairman

.....
Vice Chairman

Date: 15 NOV 2020

KPMG Lower Gulf Limited
The Offices 5 at One Central
Level 4, Office No: 04.01
Sheikh Zayed Road, P.O. Box 3800
Dubai, United Arab Emirates
Tel. +971 (4) 4030300, www.kpmg.com/ae

Independent Auditors' Report

To the Shareholders of Taaleem Holdings P.S.C. (Private Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Taaleem Holdings P.S.C. (Private Joint Stock Company) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 August 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the Directors' report which is set out on pages 1 and 2.

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

KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
KPMG Lower Gulf Limited (Dubai Branch) is registered and licensed under the laws of the United Arab Emirates.

Other Information (continued)

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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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:

KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
KPMG Lower Gulf Limited (Dubai Branch) is registered and licensed under the laws of the United Arab Emirates.

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

- 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 auditors' 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 auditors' 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.

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
KPMG Lower Gulf Limited (Dubai Branch) is registered and licensed under the laws of the United Arab Emirates.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 1 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 August 2020;

vi) note 22 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

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 Group has contravened during the financial year ended 31 August 2020 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its financial position as at 31 August 2020.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 22 NOV 2020

KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
KPMG Lower Gulf Limited (Dubai Branch) is registered and licensed under the laws of the United Arab Emirates.

Taaleem Holdings P.S.C. (Private Joint Stock Company) and its subsidiaries

Consolidated statement of financial position

	Note	As at 31 August 2020 AED	2019* AED
ASSETS			
Non-current assets			
Goodwill	6	**208,016,703**	208,016,703
Other intangible assets	7	**12,606,066**	13,401,102
Property and equipment	8	**841,466,765**	827,780,119
Right-of-use assets	28	**148,792,906**	-
Capital advances	10	**25,909,000**	-
Amlak equity investments at FVOCI	9	**1,251,393**	1,251,393
Amlak wakala deposit	9	**23,299,759**	26,146,609
		1,261,342,592	1,076,595,926
Current assets			
Fees and other receivables	10	**50,439,071**	65,354,858
Amlak wakala deposit	9	**1,726,137**	4,674,165
Wakala deposits	11	**20,002,167**	51,303,611
Cash and cash equivalents	12	**114,099,215**	93,815,945
		186,266,590	215,148,579
TOTAL ASSETS		**1,447,609,182**	1,291,744,505
EQUITY AND LIABILITIES			
EQUITY			
Share capital	25	**750,000,000**	750,000,000
Statutory reserve	26	**45,560,845**	39,382,298
Fair value reserve	9	**1,615,811**	1,615,811
Retained earnings		**92,718,045**	124,539,667
Total equity		**889,894,701**	915,537,776
LIABILITIES			
Non-current liabilities			
Borrowings	13	**104,607,143**	45,600,000
Lease liabilities	28	**146,205,278**	-
Provision for employees' end of service benefits	14	**17,179,149**	22,192,483
Deferred income on government grant	15	**51,183,275**	53,620,574
Debentures payable	16	**4,939,947**	5,650,947
		324,114,792	127,064,004

Taaleem Holdings P.S.C. (Private Joint Stock Company) and its subsidiaries

Consolidated statement of financial position (continued)

	Note	As at 31 August 2020 AED	2019* AED
Current liabilities			
Borrowings	13	**9,928,571**	38,746,564
Lease liabilities	28	**4,957,705**	-
Trade and other payables	16	**33,874,231**	23,068,640
Deferred income on government grant	15	**2,437,299**	2,437,299
Fees received in advance		**182,401,883**	184,890,222
		233,599,689	249,142,725
TOTAL LIABILITIES		**557,714,481**	376,206,729
TOTAL EQUITY AND LIABILITIES		**1,447,609,182**	1,291,744,505

*Refer to note 3.1.1.1.

To the best of our knowledge, the consolidated financial statements fairly presents, in all material respects, the consolidated financial position, results of operations and consolidated cash flows of the Group as of, and for, the year ended 31 August 2020.

These consolidated financial statements were approved by the Board of Directors on 15 NOV 2020 and signed on their behalf by:

.....
Chairman

.....
Vice Chairman

The notes on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 6.

Taaleem Holdings P.S.C. (Private Joint Stock Company) and its subsidiaries

Consolidated statement of comprehensive income

	Note	Year ended 31 August 2020 AED	2019* AED
Revenue	17	**480,285,472**	511,956,809
Operating costs	18	**(313,826,322)**	(312,374,403)
Operating margin		**166,459,150**	199,582,406
Other income	21	**5,238,789**	11,263,213
General and administrative expenses	19	**(67,256,027)**	(70,696,160)
Depreciation on property and equipment	8	**(45,032,909)**	(44,508,250)
Amortisation expense of other intangible assets	7	**(795,036)**	(3,180,531)
Impairment loss on Amlak wakala deposit	9	**(5,642,035)**	(7,996,352)
Operating profit		**52,971,932**	84,464,326
Income from government grant	15	**2,437,299**	2,437,299
Finance costs	24	**(10,749,780)**	(5,204,855)
Finance income	23	**989,461**	3,518,636
Net finance costs		**(9,760,319)**	(1,686,219)
Profit for the year		**45,648,912**	85,215,406
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**45,648,912**	85,215,406

*Refer to note 3.1.1.1.

The notes on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 6.

Taaleem Holdings P.S.C. (Private Joint Stock Company) and its subsidiaries

Consolidated statement of changes in equity

	Share capital AED	Statutory reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
At 1 September 2018	750,000,000	30,000,431	1,615,811	132,856,801	914,473,043
Adjustment on initial application of IFRS 9 (Note 3)	-	-	-	(1,650,673)	(1,650,673)
Adjusted balance as at 1 September 2018	750,000,000	30,000,431	1,615,811	131,206,128	912,822,370
Total comprehensive income for the year	-	-	-	85,215,406	85,215,406
Transfer to statutory reserve (Note 26)	-	9,381,867	-	(9,381,867)	-
Dividends (Note 27)	-	-	-	(82,500,000)	(82,500,000)
As at 31 August 2019	750,000,000	39,382,298	1,615,811	124,539,667	915,537,776
Adjustment on initial application of IFRS 16 (Note 3)*	-	-	-	3,708,013	3,708,013
Adjusted balance as at 1 September 2019	750,000,000	39,382,298	1,615,811	128,247,680	919,245,789
Total comprehensive income for the year	-	-	-	45,648,912	45,648,912
Transfer to statutory reserve (Note 26)	-	6,178,547	-	(6,178,547)	-
Dividends (Note 27)	-	-	-	(75,000,000)	(75,000,000)
As at 31 August 2020	**750,000,000**	**45,560,845**	**1,615,811**	**92,718,045**	**889,894,701**

*Refer to note 3.1.1.1.

The notes on pages 12 to 52 form an integral part of these consolidated financial statements.

Taaleem Holdings P.S.C. (Private Joint Stock Company) and its subsidiaries

Consolidated statement of cash flows

	Note	Year ended 31 August 2020 AED	2019* AED
Operating activities			
Profit for the year		**45,648,912**	85,215,406
Adjustments for:			
Depreciation of property and equipment	8	**45,032,909**	44,508,250
Depreciation of right-of-use assets	18	**11,865,566**	-
Amortisation of other intangible assets	7	**795,036**	3,180,531
Provision for employees' end of service benefits	14	**6,588,010**	8,490,395
Provision for impairment on fee and other receivables	4	**3,500,085**	900,000
(Gain) / loss on disposal of property and equipment	21	**(10,475)**	18,116
Impairment loss on Amlak wakala deposit	9	**5,642,035**	7,996,352
Finance income	23	**(989,461)**	(3,518,636)
Finance costs	24	**10,749,780**	5,204,855
Amortisation of deferred income on government grant	15	**(2,437,299)**	(2,437,299)
Operating cash flow before payment of employees' end of service benefits and changes in working capital		**126,385,098**	149,557,970
Payment of employees' end of service benefits	14	**(11,601,344)**	(8,324,359)
Change in long-term debentures payable		**(711,000)**	(711,088)
Changes in working capital:			
Change in fees and other receivables (excluding provision for impairment in fees and other receivables)		**10,966,967**	(19,839,893)
Change in fees received in advance		**(2,488,339)**	990,590
Change in trade and other payables (excluding capital creditors and dividends payable)		**13,944,740**	(8,965,984)
Net cash from operating activities		**136,496,122**	112,707,236
Investing activities			
Purchase of property and equipment (net of capital creditors, capital advances, retention payable)		**(84,628,555)**	(34,278,281)
Proceeds from disposal of property and equipment		**10,475**	35,409
Change in wakala deposits		**31,301,444**	54,978,278
Prepayment of Amlak wakala deposit received		**143,845**	-
Finance income received		**998,459**	3,939,227
Net cash (used in) / from investing activities		**(52,174,332)**	24,674,633
Financing activities			
Proceeds from borrowings	13	**75,631,846**	-
Repayment of borrowings	13	**(44,746,132)**	(48,050,000)
Payments made against lease liabilities	28	**(16,766,944)**	-
Finance costs paid	13	**(3,726,154)**	(5,702,938)
Dividends paid	27	**(74,431,136)**	(82,600,000)
Net cash used in financing activities		**(64,038,520)**	(136,352,938)
Net increase in cash and cash equivalents		**20,283,270**	1,028,931
Cash and cash equivalents at the beginning of the year	12	**93,815,945**	92,787,014
Cash and cash equivalents at the end of the year	12	**114,099,215**	93,815,945

*Refer to note 3.1.1.1.

The notes on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 to 6.

Taaleem Holdings P.S.C. (Private Joint Stock Company) and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 August 2020

1 Legal status and activities

Taaleem Holdings P.S.C. (Private Joint Stock Company) ("the Parent Company" or "the Company") was registered with the Department of Economic Development, Dubai, United Arab Emirates on 5 February 2007 as a Private Joint Stock Company under the UAE Federal Law No. (2) of 2015. The Parent Company together with its subsidiaries is collectively referred to as "the Group". The address of the registered office of the Company is P.O Box 76691, Dubai, United Arab Emirates. The principal activities of the Group are providing and investing in educational services.

The Group's shareholding and the principal activities of subsidiaries are:

Name	Percentage of effective holding	Place of incorporation	Principal Activities
Taaleem LLC	100%	United Arab Emirates	Involved in setting up several schools.
Taaleem Management LLC	100%	United Arab Emirates	Manage schools throughout the UAE and provide administrative and technical services for structuring, developing and managing schools.
Taaleem SPV Limited*	100%	United Arab Emirates	Special purpose vehicle providing and investing in educational services.
Taaleem Holdings Sole Proprietorship LLC**	100%	United Arab Emirates	Investment in educational and commercial enterprises and management.
Raha International School Khalifa A***	100%	United Arab Emirates	Providing education to kindergartens, preliminary (intermediate) education, public elementary education and secondary education.

* Owned by two shareholders of the Parent Company for the beneficial interest of the Group.

** 100% owned by Taaleem SPV Limited.

*** 100% owned by Taaleem Holdings Sole Proprietorship LLC.

1 Legal status and activities (continued)

Taaleem LLC is involved in the set-up of the following schools:

(a) Dubai British School ("DBS")
(b) Al Mizhar American Academy ("AAM")
(c) The Children's Garden Kindergarten ("TCG")
(d) Raha International School ("RIS")
(e) Greenfield Community School ("GCS")
(f) Jumeira Baccalaureate School ("JBS")
(g) Uptown School ("UTS")
(h) The Children's Garden Kindergarten, Barsha ("TCGB")
(i) Dubai British Foundation Kindergarten ("DBF")
(j) Dubai British School Jumeirah Park ("DBS-JP")

The above schools are collectively referred to as "the Schools". These Schools commenced operations in earlier years. The trade licenses of the Schools are legally held by Taaleem Management LLC on behalf of Taaleem LLC.

During the academic year 2018-19, the Board of Directors ("BOD") of the Group had resolved to close the operation of TCGB after the completion of the academic year ended 31 August 2019 and proceed with a management agreement with a third party to operate the school.

In 2019, Taaleem Holdings Sole Proprietorship LLC entered into a management agreement with Abu Dhabi Department of Education and Knowledge ("ADEK") to operate and manage the four charter schools of ADEK in Abu Dhabi, UAE, commencing from September 2019.

During the academic year 2019-20, the BOD of the Group has resolved to close the operation of TCG after the completion of the academic year ended 31 August 2020.

The Group has not purchased or invested in any shares during the year ended 31 August 2020 (2019: Nil).

2 Acquisition of subsidiaries and goodwill

On 1 September 2007, the Group entered into a sale and purchase agreement (the "Agreement") with Taaleem LLC and Taaleem Management LLC, whereby, all the shares of Taaleem LLC and Taaleem Management LLC were transferred to the Group for a total consideration of AED 304.2 million and AED 65.8 million respectively. Pursuant to this Agreement, Taaleem LLC and Taaleem Management LLC became wholly owned subsidiaries of the Group. The Group had recognised the fair values of total assets, total liabilities and contingent liabilities acquired through the acquisition of Taaleem LLC and Taaleem Management LLC. The goodwill is attributable to the synergies expected from the business combination. In determining the following intangibles separately, the management had taken the fair value adjustments as at the date of acquisition. The intangibles are attributable to:

2 Acquisition of subsidiaries and goodwill (continued)

(a) Brand and curriculum

The individual schools of 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 UAE which does not permit any third party to establish a school with the same names. As such this proves to be deemed legal form of protection, and therefore the brand name satisfies the recognition criteria for intangible asset. Accordingly, the Group recognised brand and curriculum as an intangible asset. Also refer to Note 7.

(b) Student relationships

Taaleem LLC has established relationships with its existing students. These relationships are valuable to the extent that these students remain enrolled in the school and continue to pay tuition fee until the completion of their respective program. Accordingly, student relationship has been recognised as an intangible asset. Also refer to Note 7.

(c) Below market leases

Taaleem LLC has 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 has been recognised as an intangible asset in respect of these lease agreements. Also refer to Note 7.

3 Summary of significant accounting policies

Except for the changes in accounting policy for leases (refer Note 3.1.1.1 below) as a result of adoption of IFRS 16 *Leases*, the Group has consistently applied the accounting policies to all years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements are prepared under the historical cost convention basis except for financial assets measured at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

As at 31 August 2020, the Group has net current asset position after excluding fees received in advance of AED 135,068,784 (2019: AED 150,896,076). Hence, these consolidated financial statements have been prepared on a going concern basis.

3.1.1 Changes in accounting policies and disclosures

3.1.1.1 IFRS 16 Leases

The Group has initially applied IFRS 16, *Leases* from 1 September 2019.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application, if any, is recognised in retained earnings at 1 September 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the change in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 September 2019.

As a lessee

Previously, the Group classified all its leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

3.1.1 Changes in accounting policies and disclosures (continued)

3.1.1.1 IFRS 16 Leases (continued)

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 September 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all its leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there's no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below:

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

3.1.1 Changes in accounting policies and disclosures (continued)

3.1.1.1 IFRS 16 Leases (continued)

Impact on transition (continued)

	1 September 2019 AED
Right-of-use assets	**160,658,472**
Other receivables	**(731,566)**
Other payables	**3,990,844**
Lease liabilities	**(160,209,737)**
Retained earnings	**(3,708,013)**

When measuring lease liabilities for leases, the Group discounted lease payments using its incremental borrowing rate at 1 September 2019. The weighted average rate applied is 5.5%.

	1 September 2019 AED
Operating lease commitments as at 31 August 2019 under IAS 17	**300,757,493**
Less: discounting impact using the incremental borrowing rate at 1 September 2019	**(88,053,709)**
Present value of the operating lease commitments as at 1 September 2019	**212,703,784**
Less: Recognition exemption for short-term leases and low-value assets at transition	**(52,494,047)**
Lease liabilities recognised at 1 September 2019	**160,209,737**

3.11.2. Other standards

Effective 1 September 2019, following new / amended IFRS have become effective and have been applied in preparing these consolidated financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayments Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interest in Associates and Joint Venture (Amendments to IAS 28)
- Plan, Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvement to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

The application of these revised IFRS has not had any significant impact on the amounts reported for the current and prior year but may affect the accounting for future transactions or arrangements.

3 Summary of significant accounting policies (continued)

3.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3 Summary of significant accounting policies (continued)

3.2 Consolidation (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group is measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

(c) Group companies

There are no group companies that have a functional currency different from the Group's presentation currency.

3.4 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment losses, if any. Historical costs includes expenditure that is directly attributable to the acquisition of items and bringing the asset to a working condition for its intended use.

3 Summary of significant accounting policies (continued)

3.4 Property and equipment (continued)

(a) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

(b) Depreciation

Land is not depreciated. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment that are accounted for separately. The estimated useful lives are as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount and are recognised within 'other income' in profit or loss.

Capital work in progress

Capital work in progress is stated at cost. When the asset is ready for intended use, capital work in progress is transferred to an appropriate category of property and equipment and depreciated in accordance with the Group's policy. Interest costs on borrowings to finance the construction of property and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use, as part of the cost of the asset. The borrowing costs capitalised are those relating to funds borrowed specifically for the asset in question.

3 Summary of significant accounting policies (continued)

3.5 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Parent Company interests in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generation Units "CGUs", or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Other intangible assets

Intangible assets acquired are measured and recognised initially at cost. Intangible assets acquired in a business combination are recognised at the fair value as at the date of acquisition. Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be 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 are 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 treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

3 Summary of significant accounting policies (continued)

3.5 Intangible assets (continued)

(b) Other intangible assets (continued)

Intangible assets with finite lives are amortised on a straight-line basis over the estimated useful lives as follows:

	Years
Brand and curriculum	5
Student relationships	10
Below market leases	17-49

3.6 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.7 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.8 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3 Summary of significant accounting policies (continued)

3.9 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

3.10 Provision for employees' end of service benefits

A provision is made for the full amount of the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the reporting date. The provision relating to end of service benefits is disclosed as a non-current liability in the consolidated statement of financial position.

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense in profit or loss.

3.12 Finance income

Finance income is recognised on a time proportion basis using the effective interest rate method.

3 Summary of significant accounting policies (continued)

3.13 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 September 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

3 Summary of significant accounting policies (continued)

3.13 Leases (continued)

Policy applicable from 1 September 2019 (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as lessee – Policy applicable before 1 September 2019

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

3 Summary of significant accounting policies (continued)

3.14 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

3.15 Government grant

(a) Conditional grant

Conditional government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(b) Unconditional grant

Unconditional government grants related to an asset is recognised in profit or loss when the grant becomes receivable.

3.16 Financial instruments

Recognition and initial measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

3 Summary of significant accounting policies (continued)

3.16 Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

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

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

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

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / profit or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

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

3 Summary of significant accounting policies (continued)

3.16 Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income / profit calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment

The Group recognises loss allowances for ECLs on financial assets at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-months ECLs:

- cash at banks and certain related parties for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for fee receivables and Amlak wakala deposit and are always measured at an amount equal to lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

3 Summary of significant accounting policies (continued)

3.16 Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Impairment (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets carried at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Financial assets

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

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

3 Summary of significant accounting policies (continued)

3.16 Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Financial liabilities

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

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

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Fair value

The fair value of the Group's financial assets and liabilities approximates their carrying amounts.

3.17 Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. Revenue is recognised in profit or loss to the extent that it is probably that the economic benefits will flow to the School and the revenue and costs, if applicable, can be measured reliably.

Rendering of services

The Group is principally engaged in providing educational services bundled with stationeries which is consumable for one School year. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognised when the service is rendered.

3 Summary of significant accounting policies (continued)

3.17 Revenue from contracts with customers (continued)

Rendering of services (continued)

The total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on education authority's approved fees and negotiated prices at which the Group sells the services in separate transactions.

Management fees

Management fees are recognised when the relevant services have been rendered and the amount of revenue can be measured reliably.

Revenue from contracts with customers shall be segregated from revenue from other sources (i.e. finance income).

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

A number of new standards are effective for annual periods beginning after 1 September 2020 and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

	Effective date
Amendments to references to conceptual framework in IFRS standards	1 September 2020
Definition of a Business (Amendments to IFRS 3)	1 September 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 September 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 September 2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 September 2020

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management.

(a) Market risk

(i) Foreign exchange risk

Currency risk arises on service income and recognised assets or liabilities that are primarily denominated in a currency that is not entity's functional currency. The Group has no significant exposure to this risk as the majority of its transactions are either in AED or United States Dollars ("USD") to which the AED is pegged.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuers or factors affecting all the instruments traded in the market. Hence, the Group has no exposure to price risk as there is no price sensitive financial instruments.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank deposits and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At 31 August 2020, if interest rates on bank borrowings had been 1% higher or lower with all other variables held constant, profit for the year would have been lower or higher by AED 1,145,357 (2019: AED 843,465).

At 31 August 2020, if interest rates on wakala deposits had been 1% higher or lower with all other variables held constant, profit for the year would have been higher or lower by AED 600,050 (2019: AED 813,074).

(b) Credit risk

Credit risk is the risk that the counterparty will cause a financial loss to the Group by failing to discharge an obligation.

Credit risk arises from fees and other receivables (excluding prepayments), Amlak wakala deposit, wakala deposits and cash and cash equivalents. The exposure to credit risk on fees and other receivables, Amlak wakala deposit, wakala deposits and cash and cash equivalents are monitored on an ongoing basis by the management and these are considered recoverable by the Group's management.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the Board of Directors of the Group constantly review and assesses the credit as well as business risk of having such a significant exposure to a single client. The Group establishes an allowance for impairment using the ECL approach.

The Group is exposed to credit risk on the following balances:

	2020 **AED**	2019 AED
Fees and other receivables (excluding prepayments)	**49,652,219**	31,340,160
Amlak wakala deposit	**25,025,896**	30,820,774
Wakala deposits	**20,002,167**	51,303,611
Cash at banks	**113,907,280**	93,702,076
	208,587,562	207,166,621

Impairment losses

Impairment losses on financial assets recognised in profit or loss were as follows:

	2020 **AED**	2019 AED
Impairment loss on fees and other receivables (including direct write off of fee receivables)	**3,500,085**	900,000
Impairment loss on Amlak wakala deposit (refer to Note 9)	**5,642,035**	7,996,352
	9,142,120	8,896,352

Fee receivables

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group does not hold any collateral as security. The carrying values of fees and other receivables approximate to their fair values. The other classes within fees and other receivables are neither passed due and nor impaired.

Expected Credit Loss (ECL) assessment for customers as at 31 August 2020

The Group uses an allowance matrix to measure the ECLs of fee receivables from customers.

Loss rates are calculated using "roll rate" method based on the profitability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately to exposures in different segments based on common credit risks characteristics.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

The following table provides the information above the exposure to credit risk and ECLs for fee receivables:

As at 31 August 2020	**Gross**	**Loss allowance**
Less than one year	**5,627,997**	**(3,809,053)**
More than one year	**496,877**	**(496,877)**
	6,124,874	**(4,305,930)**
As at 31 August 2019		
Less than one year	3,126,680	(1,025,222)
More than one year	577,220	(577,220)
	3,703,900	(1,602,442)

The movement in the Group's provision for impairment of fee receivables is as follows:

	2020 AED	2019 AED
At 1 September	**1,602,442**	3,997,040
Add: charge for the year (Note 19)	**3,500,085**	900,000
Less: written off during the year	**(796,597)**	(3,294,598)
At 31 August	**4,305,930**	1,602,442

Cash and cash equivalents and wakala deposits

Cash and cash equivalents and wakala deposits comprise of balances and deposits held with reputable local banks and financial institutions. The credit ratings of the major counterparties are given below:

Counterparty	**Rating**	**2020 AED**	**Rating**	2019 AED
Banks and financial institutions				
A	A1	**133,909,447**	A1	145,005,687
B*	unrated	**26,277,289**	unrated	32,072,167
		160,186,736		177,077,854

** Represents Amlak wakala deposit – debt and equity portions*

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group maintains flexibility in funding by keeping adequate cash and bank balances.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	Between 1 and 5 years AED	More than 5 years AED
As at 31 August 2020					
Trade and other payables (excluding debentures)	**33,163,143**	**(33,163,143)**	**(33,163,143)**	**-**	**-**
Borrowings	**114,535,714**	**(131,743,161)**	**(12,395,270)**	**(119,347,891)**	**-**
Lease liabilities	**151,162,983**	**(231,201,391)**	**(12,800,973)**	**(68,893,281)**	**(149,507,137)**
	298,861,840	**(396,107,695)**	**(58,359,386)**	**(188,241,172)**	**(149,507,137)**
As at 31 August 2019					
Trade and other payables (excluding debentures)	22,357,552	(22,357,552)	(22,357,552)	-	-
Borrowings	84,346,564	(89,009,591)	(39,678,434)	(49,331,157)	-
	106,704,116	(111,367,143)	(62,035,986)	(49,331,157)	-

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt represents total borrowings, including 'current and non-current borrowings' less cash and cash equivalents as shown in the consolidated statement of financial position. Total capital is calculated as 'net equity' as shown in the consolidated statement of financial position.

4 Financial risk management (continued)

4.2 Capital risk management (continued)

	2020 AED	2019 AED
Borrowings (Note 13)	**114,535,714**	84,346,564
Cash and bank balances including wakala deposits (Notes 11 and 12)	**(134,101,382)**	(145,119,556)
Net debt	**-**	-
Total equity	**889,894,701**	915,537,776
Total capital	**889,894,701**	915,537,776
Gearing ratio	n/a	n/a

4.3 Fair value estimation

At 31 August 2020 and 2019, the carrying value of the Group's financial assets and financial liabilities approximates their fair value.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
Equity investments at FVOCI				
Equity investments at FVOCI / Amlak CCI portion at 31 August 2020	**-**	**-**	**1,251,393**	**1,251,393**
Equity investments at FVOCI / Amlak CCI portion at 31 August 2019	-	-	1,251,393	1,251,393

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

5 Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on goodwill

The Group determines whether goodwill is impaired at least on an annual basis and whenever indicators of impairment exist. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use requires the management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 6).

(b) Impairment on financial assets

In determining whether impairment losses should be recognised on the Group's financial assets, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. The Group uses an allowance matrix to measure the ECLs.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast GDP.

6 Goodwill

	2020 AED	2019 AED
Acquisition through business combination:		
- Taaleem LLC	**140,552,271**	140,552,271
- Taaleem Management LLC	**67,464,432**	67,464,432
	208,016,703	208,016,703

Goodwill on acquisition of Taaleem LLC and Taaleem Management LLC represents the excess consideration over the fair value of acquired assets and liabilities including identifiable assets and liabilities. The identifiable assets represent future economic benefits from assets that are not capable of being individually identified and separately recognised.

For the purpose of testing goodwill impairment, the recoverable amounts for cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management 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), gross margins consistent with historical trends adjusted for expected efficiency and price improvement and growth rates based on management's expectations for market development. 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:

	2020		2019	
	Discount rate (WACC)	**Growth rate**	Discount rate (WACC)	Growth rate
Taaleem LLC	**12%**	**2%**	14%	2%
Taaleem Management LLC	**12%**	**2%**	14%	2%

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.

7 Other intangible assets

	Brand and curriculum AED	Student relationships AED	Below market leases AED	Total AED
Cost				
At 1 September 2019	18,611,546	10,774,162	41,514,292	70,900,000
At 31 August 2020	**18,611,546**	**10,774,162**	**41,514,292**	**70,900,000**
Accumulated amortisation				
At 1 September 2018	18,611,546	10,774,162	24,932,659	54,318,367
Amortisation for the year	-	-	3,180,531	3,180,531
At 31 August 2019	18,611,546	10,774,162	28,113,190	57,498,898
Amortisation for the year (refer to the note below)	-	-	795,036	795,036
At 31 August 2020	**18,611,546**	**10,774,162**	**28,908,226**	**58,293,934**
Net book value				
At 31 August 2020	**-**	**-**	**12,606,066**	**12,606,066**
At 31 August 2019	-	-	13,401,102	13,401,102

Land under lease at DBS was acquired by the Group in the previous year, hence the related 'below market leases' was fully amortised to profit or loss.

8 Property and equipment

	Land AED	Buildings AED	Leasehold improvements and outdoor equipment AED	Furniture And Fixtures AED	Books, office, classroom and IT equipment AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost								
At 1 September 2018	134,109,921	836,820,683	39,867,712	35,818,006	93,900,455	1,108,058	1,938,300	1,143,563,135
Additions	14,188,200	-	3,904,190	4,307,583	7,514,314	201,572	4,162,422	34,278,281
Disposals and write-offs during the year	-	-	-	(31,428)	(614,007)	(160,000)	-	(805,435)
At 31 August 2019	148,298,121	836,820,683	43,771,902	40,094,161	100,800,762	1,149,630	6,100,722	1,177,035,981
Additions	-	-	7,897,071	4,126,315	8,850,128	-	37,846,041	58,719,555
Transfer from capital work in progress	-	12,158,035	-	-	-	-	(12,158,035)	-
Disposals and write-offs during the year	-	-	(1,184,594)	(1,577,446)	(2,917,270)	(52,430)	-	(5,731,740)
At 31 August 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**
Accumulated depreciation								
At 1 September 2018	-	181,457,902	12,038,529	30,257,203	80,944,322	801,566	-	305,499,522
Charge for the year	-	28,692,843	2,904,851	3,799,800	8,962,237	148,519	-	44,508,250
Disposals and write-offs during the year	-	-	-	(15,431)	(576,479)	(160,000)	-	(751,910)
At 31 August 2019	-	210,150,745	14,943,380	34,041,572	89,330,080	790,085	-	349,255,862
Charge for the year	-	27,274,825	5,349,094	3,564,277	8,697,705	147,008	-	45,032,909
Disposals and write-offs during the year	-	-	(1,184,594)	(1,577,446)	(2,917,270)	(52,430)	-	(5,731,740)
At 31 August 2020	**-**	**237,425,570**	**19,107,880**	**36,028,403**	**95,110,515**	**884,663**	**-**	**388,557,031**
Net book value								
At 31 August 2020	**148,298,121**	**611,553,148**	**31,376,499**	**6,614,627**	**11,623,105**	**212,537**	**31,788,728**	**841,466,765**
At 31 August 2019	148,298,121	626,669,938	28,828,522	6,052,589	11,470,682	359,545	6,100,722	827,780,119

8 Property and equipment (continued)

(a) Land comprises of a granted land in Midrif, Dubai in addition to four freehold plots of land which are located in Jumeirah Islands, Jumeirah Park, Al Thanayah fourth 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 the Taaleem LLC. Land in Dubai Studio City is legally held by Taaleem LLC. In 2019, the Group acquired the land in DBS from Emaar Properties PJSC.

(b) Buildings mainly include the costs of construction, extension and refurbishment of five school buildings namely DBS, AAM, RIS, GCS and TCGB, which are constructed on leasehold land. School buildings of UTS (phases 1, 2 and 3) are constructed on granted land. DBF school building, DBS JP school building and Dubai Studio City staff residential building is constructed on acquired freehold land. The other three school buildings namely TCG, TCGJ and JBS are leased. All these land leases except for RIS, TCGJ and JBS are in the name of Taaleem Management LLC held on behalf of Taaleem LLC. The management of Taaleem LLC is of the opinion that these leases will be renewed for the foreseeable future.

(c) On 31 August 2020, capital work in progress includes consultant's and contractor's costs related to proposed Raha International School 2 (Khalifa A) in Abu Dhabi.

(d) 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 ("UTS"). 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 ("UTS phase 1"), which became operational from September 2012. Further at 31 August 2012, Taaleem LLC's 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, issued by RICS. As per the independent valuers 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 free hold status for the plot of land) can attract a fee of 30% of the market value of the land. Hence, on a prudent basis, the Board of Directors of Taaleem LLC had resolved to record the granted land at 70% of its market value in that year, and the balance 30% would be recorded as and when Taaleem LLC decides to obtain private title to the granted land in future.

(e) On 31 August 2014, the construction of UTS 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).

8 Property and equipment (continued)

(f) During 2014, Taaleem LLC acquired a freehold plot of land in Dubai Studio City, in 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.

9 Amlak wakala deposit 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 financial instruments had been recognised. The carrying value of the instruments at the time of initial recognition has been determined in proportion of the fair value of the new instruments. In 2014, fair value adjustment of AED 1,615,811 was transferred to fair value reserve.

Amlak wakala deposit at amortised cost

	2020	2019
	AED	AED
Amortised cost as at 1 September	**30,820,774**	40,888,390
Adjustment on initial application of IFRS 9	**-**	(1,650,673)
Change in cash flow effect (Note 23)	**(8,998)**	(420,591)
Prepayment received during the year	**(143,845)**	-
Impairment loss for the year	**(5,642,035)**	(7,996,352)
Amortised cost 31 August 2020	**25,025,896**	30,820,774
Current portion of Amlak wakala deposit	**1,726,137**	4,674,165
Non-current portion of Amlak wakala deposit	**23,299,759**	26,146,609
	25,025,896	30,820,774

Amlak wakala deposit classified as equity investments at FVOCI

	2020	2019
	AED	AED
Fair value as at 31 August	**1,251,393**	1,251,393

10 Fees and other receivables

	2020 AED	2019 AED
Fee receivables	**6,124,874**	3,703,900
Less: provision for impairment of fee receivables (Note 4)	**(4,305,930)**	(1,602,442)
	1,818,944	2,101,458
Prepayments*	**26,695,852**	34,014,698
Deposits and advances	**46,822,363**	27,667,132
Other receivables	**1,010,912**	1,571,570
	76,348,071	65,354,858
Less: Capital advances presented as non-current**	**(25,909,000)**	-
	50,439,071	65,354,858

The carrying amounts of the Group's fees and other receivables are denominated in AED. The creation and release of the provision for impaired receivables have been included in 'general and administrative expenses' in profit or loss.

*Prepayments includes AED 16.7 million (2019: AED 27.4 million) paid towards staff accommodation including advance house rent allowance.

**Capital advance pertains to amounts paid by the Group to a contractor for the construction of new school building of Raha International School Khalifa A in Abu Dhabi, UAE.

11 Wakala deposits

	2020 AED	2019 AED
Wakala deposits	**60,005,000**	81,307,428
Less: Wakala deposits - maturity less than 3 months (Note 12)	**(40,002,833)**	(30,003,817)
	20,002,167	51,303,611

Wakala deposits are placed with a local bank carrying profit mark-up rates ranging from 0.35% to 1.15% per annum (2019: 2.33% to 3.80% per annum).

12 Cash and cash equivalents

	2020 AED	2019 AED
Cash in hand	**191,935**	113,869
Cash at banks	**73,904,447**	63,698,259
Wakala deposits (Note 11)	**40,002,833**	30,003,817
	114,099,215	93,815,945

13 Bank borrowings

	2020 AED	2019 AED
Opening balance	**84,346,564**	132,894,647
Add: finance cost charged for the year (Note 24)	**3,637,755**	5,204,855
Add: loan drawdown	**75,631,846**	-
Less: finance costs paid for the year	**(4,334,319)**	(5,702,938)
Less: repaid during the year	**(44,746,132)**	(48,050,000)
Closing balance	**114,535,714**	84,346,564
Less: Current portion of bank borrowings	**(9,928,571)**	(38,746,564)
Long-term portion of bank borrowings	**104,607,143**	45,600,000

The financing carried a profit payable on a quarterly basis at the rate of 3 months Emirates Inter Bank Offer Rate (EIBOR) subject to a floor of 1.85% profit mark-up in 2020 (2019: 2.25%).

Finance costs amounting to AED 3,029,590 (2019: AED 5,204,855) was assigned as finance costs to profit or loss and borrowing costs amounting to AED 608,165 (2019: nil) have been capitalised as a part of qualifying assets during the year.

The carrying amount of current borrowings approximates their fair value at the reporting date. Long-term borrowings are at market linked variable interest rates and therefore the carrying amounts of non-current borrowings approximate their fair value at the reporting date.

The above loans are secured by:

(a) Movable Asset Security Agreement;
(b) First rank legal mortgage over property at plot No. 91, AI Hebaih Second, Dubai (Dubai Studio City Building) for AED 88.2 million in favor of the bank;
(c) Assignment of insurance over property at plot No. 91, AI Hebaih Second, Dubai in favor of the bank;
(d) First rank legal mortgage over property located at plot No. 382 (25 1-4293), Mirdif, Dubai (Uptown School Mirdif) for AED 100 million in favor of the bank;
(e) Assignment of Insurance over building for Uptown Mirdif School at plot no. 382 (251-4293), Mirdif, Dubai in favor of the bank;
(f) Assignment of lease agreement of Greenfield International School on plot no. 598-249, Dubai Investment Park, Dubai, acknowledged and approved by Dubai Investment Park Development Co. LLC, covering Facilities of Taaleem Management LLC;
(g) First rank legal mortgage over plot no. 6648 (394-4046) located at AI Thanayah Fourth, Dubai (Dubai British School, Dubai) for AED 40 Million in favor of the bank;
(h) Assignment of insurance over the building at Dubai British School Plot No. 6648 (394-4046) located at Al Thanayah Fourth, Dubai covering mortgage value;
(i) Assignment of insurance over the building at Greenfields International School Plot No. 598-249 Dubai Investment Park, Dubai in favor of the bank;
(j) Assignment of all receivables, cash flows, school fees from all schools under the Taaleem Holding PSC group entities, in favor of the 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);

13 Bank borrowings (continued)

(k) Assignment of insurance over Raha International School – Khalifa A Abu Dhabi covering the Ijara (II) Facility, in favor of the bank by January 2021 and in an amount acceptable to the bank:

(l) Assignment of all receivables, cash flows and school fees from Raha International School – Khalifa A Abu Dhabi covering the Ijara (II) Facility and in favor of the bank (once school is completed and operational);

(m) Assignment of cash flows under POA / Wakala contract between Taaleem Holdings PSC and Taaleem SPV Ltd. (or any other entity which hold assets financed by the bank) in favor of the bank;

(n) Negative pledge on Taaleem LLC shares that Taaleem Holdings PSC will not sell or encumber without prior written permission of the bank during the tenor of the facility; and

(o) Cross collaterisation of all securities including mortgage properties covering all facilities of Taaleem LLC, Taaleem Management LLC and Taaleem Holdings PSC until full and final settlement of all facilities / exposure.

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

a) To maintain minimum DSCR of 1.3x at all times;
b) Maximum net debt / EBITDA of 4x; and
c) Maintain gearing ratio maximum of 1x at all times.

As at the reporting date, the Group is in compliance with the above-mentioned covenants.

14 Provision for employees' end of service benefits

	2020	2019
	AED	AED
At 1 September	**22,192,483**	22,026,447
Add: provision for the year (Note 20)	**6,588,010**	8,490,395
Less: payments made during the year	**(11,601,344)**	(8,324,359)
At 31 August	**17,179,149**	22,192,483

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, which is calculated in accordance with UAE Labour Law.

15 Deferred income on government grant

	2020 AED	2019 AED
At 1 September	**56,057,873**	58,495,172
Less: transferred to profit or loss	**(2,437,299)**	(2,437,299)
At 31 August	**53,620,574**	56,057,873
Less: Current portion of deferred income on government grant	**(2,437,299)**	(2,437,299)
Non-current portion of deferred income on government grant	**51,183,275**	53,620,574

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

16 Trade and other payables

	2020 AED	2019 AED
Trade payables	**16,430,546**	8,156,685
Corporate debentures payable	**5,651,035**	6,362,035
Accruals and provisions	**3,827,872**	3,293,819
Retention payable	**3,470,447**	-
Dividends payable (Note 27)	**568,864**	-
Other payables	**8,865,414**	10,907,048
	38,814,178	28,719,587
Less: Long-term debentures payable	**(4,939,947)**	(5,650,947)
	33,874,231	23,068,640

Corporate debentures payable relate to proceeds on issuance of priority student seats offered at all the Schools for third party corporates, whereby, each debenture is amortised over 15 years.

17 Revenue

	2020 AED	2019 AED
Gross term fees	**515,109,230**	519,190,472
Discounts*	**(37,304,982)**	(8,411,163)
Net term fees	**477,804,248**	510,779,309
Management fee**	**2,000,000**	-
Application fees	**481,224**	1,177,500
	480,285,472	511,956,809

17 Revenue (continued)

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

*During the current year, discounts include AED 26.97 million towards COVID-19 hardship discount.

**Management fee is earned from ADEK for the management of the four charter schools in Abu Dhabi, UAE under the service agreement. Management fee is fixed per annum, which is earned and recognised on a yearly basis.

18 Operating costs

	2020 AED	2019 AED
Staff costs (Note 20)	**283,240,622**	283,419,285
Depreciation of right-of-use assets (Note 28(i))	**11,865,566**	-
Lease rent and service charges	**6,563,488**	14,884,564
School supplies	**4,931,108**	5,163,663
Bank charges	**2,495,141**	2,780,296
Other	**4,730,397**	6,126,595
	313,826,322	312,374,403

19 General and administrative expenses

	2020 AED	2019 AED
Staff costs (Note 20)	**15,852,519**	17,805,029
Water and electricity charges	**12,714,660**	14,136,102
Repairs and maintenance	**10,206,679**	9,780,331
Janitorial and security	**8,241,936**	8,608,020
Legal and professional	**4,272,760**	4,210,469
Marketing and advertisement	**4,100,061**	5,523,039
Impairment loss on fee receivables (Note 4)	**3,500,085**	900,000
Board remuneration and compensation (Note 22)	**3,000,000**	3,000,000
Printing and stationery	**1,352,465**	1,724,145
Travel and communication	**1,189,730**	1,437,325
Office rent (Note 28)	**523,018**	578,873
Others (events, insurance, bank charges)	**2,302,114**	2,992,827
	67,256,027	70,696,160

20 Staff costs

	2020 AED	2019 AED
Salary and allowances	**224,758,718**	227,618,256
Staff accommodation	**45,407,541**	42,917,640
Staff – discount on tuition fee	**22,368,872**	22,198,023
Employees' end of service benefits (Note 14)	**6,558,010**	8,490,395
	299,093,141	301,224,314
Staff costs are included in:		
Operating costs (Note 18)	**283,240,622**	283,419,285
General and administrative expenses (Note 19)	**15,852,519**	17,805,029
	299,093,141	301,224,314

21 Other income

	2020 AED	2019 AED
Income – sports activity	**2,206,486**	3,483,102
Commission – uniforms	**900,265**	1,215,120
Debenture income	**711,000**	711,088
Transport income	**626,438**	851,439
Rental income from shops at Dubai Studio City	**370,945**	476,437
Income from conferences	**207,840**	688,787
Commission – cafeteria	**205,340**	525,077
Gain / (loss) on disposal of property and equipment	**10,475**	(18,116)
Bad debt recoveries	**-**	2,971,818
Miscellaneous income	**-**	358,461
	5,238,789	11,263,213

22 Related party transactions and balances

Related parties include the Group's shareholders, directors and other businesses, which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence (hereinafter referred to as "affiliates") and key management personnel.

22 Related party transactions and balances (continued)

(a) Related party transactions

The aggregate value of transactions entered with related parties during the year is as per the terms mutually agreed between the related parties, is as follows:

	2020 AED	2019 AED
Profit from wakala deposits (Note 23)	**813,664**	3,118,812
Finance costs	**3,637,755**	5,204,855
Dividends (Note 27)	**75,000,000**	82,500,000

	2020 AED	2019 AED
Compensation to key management personnel		
Short-term employee benefits	**11,029,297**	10,628,158
Provision for employees' end of service benefits	**349,476**	322,882
Tuition fee discounts	**385,070**	425,913
Executive Committee and Audit Committee compensation	**1,044,167**	1,360,000
Board remuneration, compensation and other benefits (Note 19)	**3,000,000**	3,000,000

(b) Related party balances

	2020 AED	2019 AED
Due from a related party		
Emirates Islamic Bank		
Bank balance (Note 12)	**73,410,186**	63,698,259
Wakala deposits (Note 11)	**60,005,000**	81,307,428
	133,415,186	145,005,687
Borrowings from a related party		
Emirates Islamic Bank (Note 13)	**114,535,714**	84,346,564

23 Finance income

	2020 AED	2019 AED
Profit from Amlak wakala deposit (net)*	**175,797**	399,824
Profit from wakala deposits (Note 22)	**813,664**	3,118,812
	989,461	3,518,636

*Profit from Amlak wakala deposit is adjusted for an amount of AED 8,998 (2019: AED 420,591) pertaining to change in cash flow effect relating to Amlak wakala deposit (Note 9).

24 Finance costs

	2020 AED	2019 AED
Finance costs on borrowings (Note 13)	**3,029,590**	5,204,855
Finance costs on lease liabilities (Note 28(ii))	**7,720,190**	-
	10,749,780	5,204,855

25 Share capital

	2020 AED	2019 AED
Issued and fully paid up capital:		
750,000,000 ordinary shares of AED 1 each (2019: 750,000,000 ordinary shares of AED 1 each)	**750,000,000**	750,000,000

26 Statutory reserve

In accordance with the Group and its entities, Articles of Association and the UAE Federal Law No. (2) of 2015, a minimum of 10% of net profit of the Group entities is required to be allocated every year to a statutory reserve, which is not distributable. Such allocations may be ceased when the statutory reserve equals to half of the paid-up share capital of the respective group entities. Accordingly, an amount of AED 6,178,547 (2019: AED 9,381,867) has been transferred to the statutory reserve in the current year.

27 Dividends

During the shareholders meeting dated 15 December 2019, the shareholders approved a dividend of AED 0.10 per share amounting to AED 75,000,000 (2019: AED 82,500,000), of which divided amounting to AED 74,431,136 was paid (2019: an amount of AED 82,600,000 was paid which included unpaid dividend of AED 100,000 relating to year 2018).

28 Leases

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

i. Right-of-use assets

	2020 AED
Right-of-use asset on initial application of IFRS 16	**160,658,472**
Depreciation charge for the year (Note 18)	**(11,865,566)**
	148,792,906

28 Leases (continued)

ii. Lease liabilities

	2020 AED
Lease liabilities on initial application of IFRS 16	**160,209,737**
Finance cost on lease liabilities (Note 24)	**7,720,190**
Less: payments made against lease liabilities	**(16,766,944)**
Balance as at 31 August	**151,162,983**
Less: current portion of lease liabilities	**(4,957,705)**
Non-current portion	**146,205,278**

iii. Amounts recognised in profit or loss

	2020 AED
Leases under IFRS 16	
Depreciation expense on right-of-use assets (Note 18)	**11,865,566**
Finance cost on lease liability (Note 24)	**7,720,190**
Expense relating to short-term leases and low value assets (recognition exemption under IFRS 16)	**52,494,047**
	72,079,803

	2019 AED
Operating leases under IAS 17	
Lease expense:	
Staff accommodation (Note 20)	42,917,640
Lease rent and service charges (Note 18)	14,884,564
Office rent (Note 19)	578,873
	58,381,077

iv. Amounts recognised in the consolidated statement of cash flows

	2020 AED
Total cash outflow for leases (excluding cash outflow relating to recognition exemption for short-term leases and low value assets)	**16,766,944**

29 Contingencies and capital commitments

		2020 AED	2019 AED
(a)	Capital commitments	**108,563,150**	2,733,875
(b)	Bank guarantee	**77,435,579**	27,435,579

The Group's capital commitments mainly relates to its on-going constructions of its new school in Abu Dhabi, UAE.

Bank guarantee pertains to the advance and performance guarantee issued by the Group in favour of ADEK in relation to the management agreement entered by the Group with ADEK and performance guarantee in favour of ADEK for the building of school by the Group in Abu Dhabi, UAE.

30 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.

31 Comparative information

Certain comparative figures have been regrouped / reclassified to conform to the presentation adopted in these consolidated financial statements. Such reclassifications do not affect the previously reported profit or net assets.