# Al Noor Rehabilitation and Welfare Association for People of Determination

## COMBINED FINANCIAL STATEMENTS

**31 AUGUST 2022**

**Ernst & Young Middle East**
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# INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF AL NOOR REHABILITATION AND WELFARE ASSOCIATION FOR PEOPLE OF DETERMINATION

## Opinion

We have audited the combined financial statements of Al Noor Rehabilitation and Welfare Association for People of Determination (the "Association") and Al Noor Training Centre for Persons with Disabilities (the "Centre") (collectively, the "Group") which comprise the combined statement of financial position as at 31 August 2022, and the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Group as at 31 August 2022, and its combined financial performance and its combined cash flows for the year then ended in accordance with the accounting policies described in note 2.4 to the combined financial statements.

## Basis for Opinion

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

## Emphasis of Matter – Basis of Preparation and Restriction on Distribution

We draw attention to note 2.1 to the combined financial statements, which describes the basis of preparation of these combined financial statements in accordance with the accounting policies described in note 2.3 to the combined financial statements. The combined financial statements are prepared to assist the management to report the financial results of the Group for the year ended 31 August 2022 and its combined financial position, as of that date, to the Board of Directors, Community Development Authority, Ministry of Community Development and Sponsors. As a result, the combined financial statements may not be suitable for another purpose. Our report is intended solely for the Group and should not be distributed to or used by other parties. These combined financial statements are not the statutory financial statements of the Group. Our opinion is not modified in respect of this matter.

## Other matter

The combined financial statements for the year ended 31 August 2021 were not audited and our opinion does not relate to the comparatives presented in these combined financial statements which are presented only for comparison purpose.

## Responsibilities of Management and the Board of Directors for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with the accounting policies described in note 2.4 to the combined financial statements, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Governors is responsible for overseeing the Group's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF AL NOOR REHABILITATION AND WELFARE ASSOCIATION FOR PEOPLE OF DETERMINATION (continued)**

## Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined 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 combined financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF AL NOOR REHABILITATION AND WELFARE ASSOCIATION FOR PEOPLE OF DETERMINATION (continued)**

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

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

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No.: 690

01 April 2024

Dubai, United Arab Emirates

# COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 August 2022

| | *Notes* | ***2022*** ***AED*** | *2021* *AED* *(Unaudited)* |
|---|---|---|---|
| **INCOME** | | | |
| Revenues | 3 | **14,940,460** | 12,701,536 |
| Interest income | | **24,138** | 56,439 |
| Other income | 4 | **75,435** | 59,818 |
| Government grant | 13 | **506,245** | - |
| | | **15,546,278** | 12,817,793 |
| **EXPENDITURE** | | | |
| Administrative and general expenses | 5 | **(15,314,961)** | (14,032,962) |
| Finance costs | 12 | **(274,053)** | - |
| Impairment loss on fee receivables | | **(89,206)** | (205,840) |
| | | **(15,678,220)** | (14,238,802) |
| **EXCESS OF EXPENDITURE OVER INCOME FOR THE YEAR** | | **(131,942)** | (1,421,009) |
| Other comprehensive income for the year | | - | - |
| **TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR** | | **(131,942)** | (1,421,009) |

The attached notes 1 to 19 form part of these combined financial statements.

# COMBINED STATEMENT OF FINANCIAL POSITION
As at 31 August 2022

| | Notes | *2022 AED* | *2021 AED (Unaudited)* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 6 | **935,265** | 792,840 |
| Investment property | 7 | **16,301,525** | 17,178,856 |
| | | **17,236,790** | 17,971,696 |
| **Current assets** | | | |
| Fee and other receivables | 8 | **1,227,671** | 1,925,210 |
| Bank balances and cash | 9 | **6,670,610** | 5,273,192 |
| | | **7,898,281** | 7,198,402 |
| **TOTAL ASSETS** | | **25,135,071** | 25,170,098 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Retained earnings | | **5,520,808** | 5,652,750 |
| **Non-current liabilities** | | | |
| Employees' end of service benefits | 11 | **4,436,453** | 4,379,909 |
| Borrowings | 12 | **5,140,682** | 4,819,214 |
| Government grant | 13 | **6,752,132** | 6,641,897 |
| Accounts and other payables | 10 | **156,952** | 109,490 |
| | | **16,486,219** | 15,950,510 |
| **Current liabilities** | | | |
| Accounts and other payables | 10 | **2,433,843** | 2,750,374 |
| Borrowings | 12 | **310,219** | 310,219 |
| Government grant | 13 | **383,982** | 506,245 |
| | | **3,128,044** | 3,566,838 |
| **Total liabilities** | | **19,614,263** | 19,517,348 |
| **TOTAL EQUITY AND LIABILITIES** | | **25,135,071** | 25,170,098 |

The combined financial statements were approved by the Board of Directors on 28th March 2024.

Chairman

Director

The attached notes 1 to 19 form part of these combined financial statements.

# COMBINED STATEMENT OF CASH FLOWS

For the year ended 31 August 2022

| | Notes | *2022* *AED* | *2021* *AED* *(Unaudited)* |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Excess of expenditure over income for the year | | **(131,942)** | (1,421,009) |
| Adjustments: | | | |
| Depreciation | 6,7 | **1,365,762** | 856,029 |
| Government grant | 13 | **(506,245)** | - |
| Donations not received in a monetary form | 6 | **(240,860)** | (145,415) |
| Interest cost | 12 | **274,053** | - |
| Interest income | | **(24,138)** | (56,439) |
| Provision for employees' end of service benefits | 11 | **603,824** | 513,639 |
| Provision for expected credit losses - net | 8 | **89,206** | 182,847 |
| | | **1,429,660** | (70,348) |
| Working capital changes: | | | |
| Fee and other receivables | | **608,333** | (1,265,979) |
| Accounts and other payables | | **(269,069)** | (3,034,956) |
| | | **1,768,924** | (4,371,283) |
| Employees' end of service benefits paid | 11 | **(547,280)** | (594,346) |
| Net cash flows from / (used in) operating activities | | **1,221,644** | (4,965,629) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | 6 | **(389,996)** | (48,920) |
| Addition to investment property | 7 | **-** | (5,509,917) |
| Movement in short term deposits | 9 | **4,596,618** | (725,846) |
| Interest received | | **24,138** | 56,439 |
| Receipt of government grant | 13 | **494,217** | 4,613,157 |
| Net cash flows from / (used in) investing activities | | **4,724,977** | (1,615,087) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | **357,634** | 3,310,354 |
| Repayment of borrowings* | | **(310,219)** | - |
| Net cash flows from financing activities | | **47,415** | 3,310,354 |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT** | | **5,994,036** | (3,270,362) |
| Cash and cash equivalent at 1 September | | **676,574** | 3,946,936 |
| **CASH AND CASH EQUIVALENT AT THE YEAR END** | 9 | **6,670,610** | 676,574 |

The attached notes 1 to 19 form part of these combined financial statements.

# COMBINED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2022

| | *Retained earnings AED (Unaudited)* |
|---|---|
| Balance at 1 September 2020 - Unaudited | 7,073,759 |
| Excess of expenditure over income for the year - Unaudited | (1,421,009) |
| Balance at 31 August 2021 - Unaudited | 5,652,750 |
| Excess of expenditure over income for the year | (131,942) |
| **Balance at 31 August 2022** | **5,520,808** |

## 1 ACTIVITIES

The Al Noor Rehabilitation and Welfare Association for People of Determination (the "Centre") was established on 26 April 2020 with the objective of assisting students with determination with both academic and vocational training. The registered address of the Centre is P.O. Box 8397, Dubai, United Arab Emirates.

These combined financial statements include the assets, liabilities and operating results of the below entities, together referred as 'Group':

- Al Noor Rehabilitation and Welfare Association for People of Determination; and
- AlNoor Training Centre for Persons with Disabilities ('Al Noor Training Center')

The above entities are incorporated based on decree issued under under Ministry of Communal Development and therefore does not have any Authorized and paid-up share capital.

Al Noor Training Center is operated under the supervision of the Ministry of Labour and Social Affairs, consequent to a Ministerial Degree No. 247 dated 22 May 1997, under professional license no. 108439. On 26 April 2021, the Ministry of Community development issued a Ministerial Resolution No. 81 of 2021 declaring Al Noor Rehabilitation & Welfare Association for People of Determination ("The Association") will be supervising the operations of the Al Noor Training Center henceforth.

The combined financial statements of the Group for the year ended 31 August 2022 were authorised and approved for issue on 28 March 2024.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These combined financial statements reflect the combined operations of the above entities which are under common control of the Group. These combined financial statements have been prepared to present the combined financial position and financial results of the Group for the year ended 31 August 2022 to the Board of Directors, Community Development Authority, Ministry of Community Development ("MOCD") and Sponsors. Both the entities are controlled by the Board of Directors who are appointed by MOCD.

The presentation of these combined financial statements does not indicate that the individual entities mentioned above in note 1 have been consolidated or merged. Accordingly, the individual entities continue to operate as separate legal entities, retaining their distinct legal status, although under common ownership and control. Combination of the individual entities are performed to present the combined financial performance of the Group after eliminating all inter-company transactions and balances.

These combined financial statements are not the statutory financial statements of either the Group or the entities referred in note 1 above.

The combined financial statements have been prepared in accordance with the accounting policies described in note 2.3 to the combined financial statements.

The combined financial statements are prepared under the historical cost convention.

The combined financial statements have been presented in UAE Dirhams (AED), which is the functional currency of the Group.

### 2.2 USE OF ESTIMATES AND JUDGMENTS

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

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

In particular, information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies (that have the most significant effect on the amount recognised in the combined financial statements) are discussed in Note 17.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue from contracts with customers**
Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The revenue from different contracts is recognised as follows:

- Tuition and other fees are recognised over the period of time the services are rendered.
- Income from cash grants is recognised when received, except where they relate to: (a) tuition fees for students for the following academic year, in which case the income is recognised during the related academic year when the tuition is provided, and (b) acquisition of specific items of property, plant or equipment, in which case they are carried forward as deferred income and upon acquisition of the item of property, plant and equipment, it is recognised as income in equal amounts over the expected useful life of the related asset.
- Voluntary offerings and other contributions received are recognised as revenue when received.

*Interest income*
Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discount estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Property and equipment**
Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

Receipt of an item of equipment and vehicles as donation is recorded at the cost, if any incurred by the Group.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

| | ***2022*** | ***2021*** |
|---|---|---|
| Building | 20 years | 20 years |
| Recreational facilities | 5 years | - |
| Furniture and fixtures | 4 years | 4 years |
| Therapy equipment | 4 years | 4 years |
| Motor vehicles | 4 years | 4 years |

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Investment properties**
Property held for rental or capital appreciation purposes are classified as investment property. Investment property are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives. Capital work in progress is not depreciated.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group determines at each reporting date whether there is any objective evidence that the investment property is impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the combined statement of comprehensive income. The recoverable amount is the higher of investment property's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an investment property in an arm's length transaction less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment property and from its disposal at the end of its useful life.

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

Investment property are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in combined statement of comprehensive income in the period of derecognition.

**Impairment of non-financial assets**
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in the combined statement of comprehensive income in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the combined statement of comprehensive income.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments-initial recognition and subsequent measurement**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***i) Financial assets***

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

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

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

This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

The Group's financial assets include bank balances, deposits and fee and other receivables.

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

- Financial assets at fair value through profit or loss – The Group has not designated any financial asset as fair value through profit or loss;
- Financial assets at amortised cost (debt instruments) – The Group subsequently measures financial assets at amortised cost using EIR method and are subject to impairment. Gains and losses are recognised in the combined statement of profit or loss when the asset is derecognized, modified or impaired;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) – The Group has not designated any financial asset at fair value through OCI with recycling of cumulative gains and losses; and
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) – The Group has not designated any financial asset at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Financial instruments-initial recognition and subsequent measurement (continued)**

***i) Financial assets (continued)***

**Derecognition of financial assets**
A financial asset (or, where applicable a part of a financial assets or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from assets or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the assets nor is transferred control of the assets, the assets recognised to the extent of the Group's continuing involvement in the assets. In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the assets and the maximum amount of consideration that the Group could be required to repay.

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

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

For fees receivable, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group reviews internal and external information available for each customer balance to assess expected credit loss and the likelihood to receive the outstanding amount. The expected credit losses are recognised in the combined statement of comprehensive income.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Financial instruments-initial recognition and subsequent measurement (continued)**

***ii) Financial liabilities***

**Initial recognition and measurement**
The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

The Group's financial liabilities includes trade and other payables.

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

*Trade and other payables*
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

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

***iii) Offsetting of financial instruments***

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

***iv) Fair value of financial instruments***

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

**Cash and cash equivalents**
For the purpose of the combined statement of cash flow, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired.

**Account receivable**
A provision for impairment of trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined statement of comprehensive income.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

**Employees' end of service benefits**
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.

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

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

**Borrowing costs**
Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other finance costs are recognised as interest expense in the combined statement of comprehensive income in the period in which they are incurred.

**Foreign currencies**
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the combined statement of financial position date. All differences are taken to the combined statement of comprehensive income.

**Current versus non-current classification**
The Group presents assets and liabilities in combined statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

## 3 REVENUES

a. Set out below is the disaggregation of the Group's revenues:

| | ***2022*** | *2021* |
|---|---|---|
| | ***AED*** | *AED* |
| | | *(Unaudited)* |
| Tuition and other fees | **6,525,282** | 5,678,064 |
| Child sponsorship fees | **4,288,435** | 3,595,199 |
| Donations and events income | **2,534,477** | 2,929,183r |
| Rental income from facilities | **1,408,569** | 266,667 |
| Other revenue | **183,697** | 232,423 |
| | **14,940,460** | 12,701,536 |

b. Timing of revenue recognition:

| | ***2022*** | *2021* |
|---|---|---|
| | ***AED*** | *AED* |
| | | *(Unaudited)* |
| Revenue recognised over time | **12,222,286** | 9,539,930 |
| Revenue recognised at a point in time | **2,718,174** | 3,161,606 |
| | **14,940,460** | 12,701,536 |

## 4 OTHER INCOME

| | ***2022*** | *2021* |
|---|---|---|
| | ***AED*** | *AED* |
| | | *(Unaudited)* |
| Bad debts recovered | **26,062** | - |
| Miscellaneous income | **49,373** | 59,818 |
| | **75,435** | 59,818 |

## 5 ADMINISTRATIVE AND GENERAL EXPENSES

| | ***2022*** | *2021* |
|---|---|---|
| | ***AED*** | *AED* |
| | | *(Unaudited)* |
| Staff costs | **11,050,378** | 10,575,784 |
| Depreciation (refer note 6 and 7) | **1,365,762** | 856,029 |
| Travelling expenses | **1,264,088** | 1,237,837 |
| Repairs and maintenance | **445,309** | 565,576 |
| Fundraising expenses | **577,891** | 59,537 |
| Insurance expenses | **139,592** | 125,177 |
| Legal, municipal and visa expenses | **87,797** | 59,855 |
| Printing and stationery | **18,919** | 20,966 |
| Others | **365,225** | 532,201 |
| | **15,314,961** | 14,032,962 |

## 6 PROPERTY AND EQUIPMENT

| | *Leasehold improvements AED* | *Recreational facility AED* | *Furniture and fixtures AED* | *Therapy equipment AED* | *Motor vehicle AED* | *Total AED* |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 September 2020 | 532,890 | - | 4,949,061 | 1,703,012 | 204,500 | 7,389,463 |
| Additions (refer (i) below) | - | - | 177,350 | 16,985 | - | 194,335 |
| Disposals | - | - | (15,993) | (12,920) | - | (28,913) |
| At 31 August 2021 | 532,890 | - | 5,110,418 | 1,707,077 | 204,500 | 7,554,885 |
| At 1 September 2021 | 532,890 | - | 5,110,418 | 1,707,077 | 204,500 | 7,554,885 |
| Additions (refer (i) below) | - | 370,952 | 259,904 | - | - | 630,856 |
| **At 31 August 2022** | **532,890** | **370,952** | **5,370,322** | **1,707,077** | **204,500** | **8,185,741** |
| **Accumulated depreciation** | | | | | | |
| At 1 September 2020 | 322,371 | - | 4,438,341 | 1,494,023 | 47,951 | 6,302,686 |
| Charge for the year | 26,093 | - | 292,986 | 127,981 | 41,212 | 488,272 |
| On disposals | - | - | (15,993) | (12,920) | - | (28,913) |
| At 31 August 2021 | 348,464 | - | 4,715,334 | 1,609,084 | 89,163 | 6,762,045 |
| At 1 September 2021 | 348,464 | - | 4,715,334 | 1,609,084 | 89,163 | 6,762,045 |
| Charge for the year | 26,116 | 50,409 | 288,197 | 82459 | 41,250 | 488,431 |
| **At 31 August 2022** | **374,580** | **50,409** | **5,003,531** | **1,691,543** | **130,413** | **7,250,476** |
| Net book value | | | | | | |
| **At 31 August 2022** | **158,310** | **320,543** | **366,791** | **15,534** | **74,087** | **935,265** |
| At 31 August 2021 | 184,426 | - | 395,084 | 97,993 | 115,337 | 792,840 |

(i) Included in additions is an amount of AED 240,860 (2021: AED 145,415) which pertains to assets received as donations.

(ii) The Group operates on land and buildings which are owned by Dubai Real Estate Corporation and leased by the Chairman of the Group, Mr. Khalid Al Halyan, for the beneficial use of the Group. There is no consideration or payments for the use of the land and buildings.

The land and buildings are available for the use of Group for the foreseeable future.

## 7 INVESTMENT PROPERTY

| | ***Building AED*** | ***Capital work in progress AED*** | ***Total AED*** |
|---|---|---|---|
| Cost | | | |
| As at 1 September 2021 - Unaudited | 17,546,613 | - | 17,546,613 |
| **As at 31 August 2022** | **17,546,613** | **-** | **17,546,613** |
| Accumulated depreciation | | | |
| As at 1 September 2021 - Unaudited | 367,757 | - | 367,757 |
| Charge for the year | 877,331 | - | 877,331 |
| **As at 31 August 2022** | **1,245,088** | **-** | **1,245,088** |
| Net book value | | | |
| **At 31 August 2022** | **16,301,525** | **-** | **16,301,525** |

| | *Building AED* | *Capital work in progress AED* | *Total AED* |
|---|---|---|---|
| Cost | | | |
| As at 1 September 2020 - Unaudited | - | 12,036,696 | 12,036,696 |
| Additions | - | 5,509,917 | 5,509,917 |
| Transfer | 17,546,613 | (17,546,613) | - |
| As at 31 August 2021 - Unaudited | 17,546,613 | - | 17,546,613 |
| Accumulated depreciation | | | |
| As at 1 September 2020 - Unaudited | - | - | - |
| Charge for the year | 367,757 | - | 367,757 |
| As at 31 August 2021 - Unaudited | 367,757 | - | 367,757 |
| Net book value | | | |
| At 31 August 2021 - Unaudited | 17,178,856 | - | 17,178,856 |

Investment property relates to commercial & residential building which was constructed by the Group and the same is held with the objective of generating sustainable income from its rentals. The constructed of the building was completed on 1 April 2021.

In 2013, the Government of Dubai had bestowed 1,394 square metres of land in Al Warqa to the Group which is recorded at a nominal value of AED 1.

## 8 FEE AND OTHER RECEIVABLES

| | ***2022*** ***AED*** | *2021* *AED* *(Unaudited)* |
|---|---|---|
| Fee receivables | **607,502** | 457,691 |
| Less: allowance for expected credit losses | **(46,125)** | (46,125) |
| | **561,377** | 411,566 |
| Prepayments | **124,424** | 90,119 |
| VAT receivable | **43,650** | 2,734 |
| Other receivables | **498,220** | 1,420,791 |
| | **1,227,671** | 1,925,210 |

As at 31 August 2022, fee receivables at nominal value of AED 46,125 (2021: AED 46,125) were impaired and fully provided for. Movements in the allowance for provision of fee receivables were as follows:

| | ***2022*** ***AED*** | *2021* *AED* *(Unaudited)* |
|---|---|---|
| At 1 September | **46,125** | 69,118 |
| Provided during the year | **89,206** | 205,840 |
| Amounts written off | **(89,206)** | (205,840) |
| Reversal of rovision | **-** | (22,993) |
| At 31 August | **46,125** | 46,125 |

As at 31 August, the ageing analysis of unimpaired fee receivables is as follows:

| | | ***Past due but not impaired*** | | | | |
|---|---|---|---|---|---|---|
| | *Neither past due nor impaired AED* | *1-90 days AED* | *91-180 days AED* | *181-365 days AED* | *above 365 days AED* | *Total AED* |
| **2022** | **-** | **213,505** | **255,579** | **83,683** | **8,610** | **561,377** |
| 2021 | - | 325,503 | 73,813 | 5,250 | 7,000 | 411,566 |

Fee receivables are non-interest bearing and are generally on 60 day terms (see credit risk disclosures in Note 15 for further details). Unimpaired fee receivables are expected, on the basis of experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

## 9 BANK BALANCES AND CASH

| | *2022* *AED* | *2021* *AED* *(Unaudited)* |
|---|---|---|
| Cash in hand | **46,980** | 67,426 |
| Bank balances | **6,623,630** | 609,148 |
| Term deposits | **-** | 4,596,618 |
| Bank balances and cash | **6,670,610** | 5,273,192 |
| Less: term deposits with original maturity of over three months | **-** | (4,596,618) |
| Cash and cash equivalent | **6,670,610** | 676,574 |

The interest rates on the bank deposits varied from 0.70% to 0.74% (2021: 0.30% to 0.85%) per annum. Term deposits have original maturity of one year.

## 10 ACCOUNTS AND OTHER PAYABLES

| | *2022* *AED* | *2021* *AED* *(Unaudited)* |
|---|---|---|
| **Current:** | | |
| Tuition fees received in advance | **1,328,740** | 729,076 |
| Retention payable | **-** | 836,977 |
| Deposits received | **645,130** | 736,914 |
| Accrued air ticket | **352,500** | 352,500 |
| Accruals and other payables | **-** | 5,514 |
| Accounts payables | **107,473** | 89,393 |
| | **2,433,843** | 2,750,374 |
| **Non-current:** | | |
| Tuition fees received in advance | **156,952** | 109,490 |

Trade payables are normally settled within 60-90 days of the date of purchase and are non-interest bearing. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

For explanations on the Group's liquidity risk management processes, refer to note 15.

## 11 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the combined statement of financial position are as follows:

| | *2022* *AED* | *2021* *AED* *(Unaudited)* |
|---|---|---|
| At 1 September | **4,379,909** | 4,460,616 |
| Provided during the year | **603,824** | 513,639 |
| Payments made during the year | **(547,280)** | (594,346) |
| At 31 August | **4,436,453** | 4,379,909 |

## 12 BORROWINGS

| | *2022* | *2021* |
|---|---|---|
| | ***AED*** | *AED* |
| | | *(Unaudited)* |
| At 1 September | **5,129,433** | 1,819,079 |
| Additional borrowings | **357,634** | 3,310,354 |
| Repayment during the year | **(310,219)** | - |
| Unwinding of interest on discounting of long term borrowings | **274,053** | - |
| At 31 August | **5,450,901** | 5,129,433 |
| Current | **310,219** | 310,219 |
| Non-current | **5,140,682** | 4,819,214 |

During the year, the Group has entered into an agreement with AWQAF & Minors Affairs Foundation for a term loan facility in order to continue funding the construction of Bait Al Noor Building project. The loan provided is interest free and is repayable over the period of 40 years from the income generated from Bait Al Noor Building as follows:

- 30% of net income to be allocated for repayment of principal borrowed;
- 30% of net income to be kept as a deposit for the reconstruction and maintenance of building;
- 40% of net income to be retained by the Group.

Bait Al Noor will be managed by AWQAF who will be entitled to a management fee set at 5% of gross rental income, as per the agreement.

The Group received an additional interest free borrowing of AED 851,850, which is recorded at amortised cost using effective interest rate. The carrying value of borrowing at amortised cost amounting to AED 357,634 has been recorded as additional borrowing during the year and the interest amounting to AED 494,217 waived off by AWQAF is recorded as government grant.

## 13 GOVERNMENT GRANT

| | *2022* | *2021* |
|---|---|---|
| | ***AED*** | *AED* |
| | | *(Unaudited)* |
| At 1 September | **7,148,142** | 2,534,985 |
| Received during the year | **494,217** | 4,613,157 |
| Released to combined statement of comprehensive income | **(506,245)** | - |
| At 31 August | **7,136,114** | 7,148,142 |
| Current | **383,982** | 506,245 |
| Non-current | **6,752,132** | 6,641,897 |

Government grants have been received in the form of interest free borrowings for the construction of Bait Al Noor Building project – investment property. Based on the policy followed by the Group, these government grants are recorded in the combined statement of financial position as deferred income and subsequently recognized in combined statement of comprehensive income on a systematic basis over the useful life of the investment property. There are no unfulfilled conditions or contingencies attached to these grants.

The government grant amounting to AED 383,982 is expected to be released to combined statement of comprehensive income in the next 12 months has been classified under current liability.

## 14 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the members of the Board of Governors, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

**Compensation to key management personnel is as follows:**

| | ***2022*** ***AED*** | *2021* *AED* *(Unaudited)* |
|---|---|---|
| Short-term benefits | **291,240** | 282,240 |
| Provision towards employees' terminal benefits | **14,712** | 14,112 |

## 15 RISK MANAGEMENT

The Group's principal financial liabilities comprise borrowings, accounts payables and other accruals. The Group has various financial assets such as bank balances, fees receivable, and other receivables which arise directly from its operations. The main risks arising from the Group financial instruments are interest rate risk, credit risk, and liquidity risk.

**Interest rate risk**
The Group is exposed to interest rate risk on its interest-bearing assets (short term deposits).

The following table demonstrates the sensitivity of the combined statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the combined statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 August 2022 and 2021.

There is no impact on the Group's equity.

| | *Effect on Increase/(decrease) in basis points AED* | *Effect on profit for the year increase /(decrease) AED* |
|---|---|---|
| **2022** | **50** | **3,123** |
| | **(50)** | **(3,123)** |
| 2021 - Unaudited | 50 | 28,904 |
| | (50) | (28,904) |

**Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances and receivables as follows.

| | ***2022*** ***AED*** | *2021* *AED* *(Unaudited)* |
|---|---|---|
| Bank balances (Note 9) | **6,623,630** | 5,205,766 |
| Fee receivables (Note 8) | **561,377** | 411,566 |
| Other receivables (Note 8) | **498,220** | 1,420,791 |
| | **7,683,227** | 7,038,123 |

**15 RISK MANAGEMENT (continued)**

**Credit risk (continued)**

*Bank balances*
The Group seeks to limit its credit risk with respect to the bank deposits by only dealing with reputable banks.

*Fee and other receivables*
The Group seeks to limit its credit risk with respect to fees receivables from students by obtaining advance fees and by monitoring the outstanding receivables.

As at 31 August 2022, provision for expected credit losses amounted to AED 46,125 (31 August 2021: AED 46,125).

The Group reviews internal and external information available for each customer balance to assess expected credit loss and the likelihood to receive the outstanding amount. A provision for expected credit losses of fees receivable is established when the Group expects that it will not be able to collect all amounts due according to the original terms of the receivables. Generally, accounts receivables are written-off if past due for more than one year and are not subject to enforcement activity.

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

| | | ***Past due but not impaired*** | | | | |
|---|---|---|---|---|---|---|
| | ***Neither past due nor impaired AED*** | ***1-90 days AED*** | ***91-180 days AED*** | ***181-365 days AED*** | ***above 365 days AED*** | ***Total AED*** |
| **31 August 2022** | | | | | | |
| Expected credit loss rate | **0%** | **3%** | **6%** | **22%** | **0%** | **4.9%** |
| Estimated total gross carrying amount at default | **-** | **219,130** | **272,454** | **107,308** | **8,610** | **607,502** |
| Expected credit losses | **-** | **5,625** | **16,875** | **23,625** | **-** | **46,125** |

| | | *Past due but not impaired* | | | | |
|---|---|---|---|---|---|---|
| | *Neither past due nor impaired AED* | *1-90 days AED* | *91-180 days AED* | *181-365 days AED* | *above 365 days AED* | *Total AED* |
| 31 August 2021 | | | | | | |
| Expected credit loss rate | 0% | 1% | 19% | 81% | 0% | 7% |
| Estimated total gross carrying amount at default | - | 331,128 | 90,688 | 28,875 | 7,000 | 457,691 |
| Expected credit losses | - | 5,625 | 16,875 | 23,625 | - | 46,125 |

## 15 RISK MANAGEMENT (continued)

**Liquidity risk**
Fees are required to be paid in advance. Payables are normally settled within 30 days of the date of purchase.

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

***At 31 August 2022***

| | ***Less than 3 months AED*** | ***3 to 12 months AED*** | ***1 to 5 years AED*** | ***Total AED*** |
|---|---|---|---|---|
| Accounts payable | **107,475** | **-** | **-** | **107,475** |
| Deposits received | **-** | **645,130** | **-** | **645,130** |
| Accrued expenses | **-** | **352,500** | **-** | **352,500** |
| Borrowings | **-** | **339,000** | **12,451,425** | **12,790,425** |
| **Total** | **107,475** | **1,336,630** | **12,451,425** | **13,895,530** |

*At 31 August 2021*

| | *Less than 3 months AED* | *3 to 12 months AED* | *1 to 5 years AED* | *Total AED* |
|---|---|---|---|---|
| Accounts payable | 89,393 | - | - | 89,393 |
| Other payables and accruals | 5,515 | - | - | 5,515 |
| Retention payable | - | 836,977 | - | 836,977 |
| Borrowings | - | 339,000 | 12,790,425 | 13,129,425 |
| Total | 94,908 | 1,175,977 | 12,790,425 | 14,061,310 |

**Currency risk**
The Group is not exposed to any foreign currency risk as all of its transactions and balances are denominated in UAE Dirhams.

**Capital management**
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its activities.

The Group manages its capital structure and makes adjustments to it in light of changes in surrounding conditions. No changes were made in the objectives, policies or processes during the years ended 31 August 2022 and 31 August 2021. Capital comprises retained earnings, and is measured at AED 5,520,808 as at 31 August 2022 (2021: AED 5,652,750).

## 16 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances, fee and other receivables. Financial liabilities consist of payables, and loans and borrowings.

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

The fair values of financial instruments are not materially different from their carrying values largely due to the short-term maturities of these instruments.

All the financial assets and financial liabilities reflected in the combined statement of financial position are measured at amortised cost. At 31 August 2022 and 2021, there are no financial assets or liabilities that are measured at fair value, except cash on hand.

## 17 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

*Impairment of fees receivables*
The Group reviews internal and external information available for each customer balance to assess expected credit loss and the likelihood to receive the outstanding amount. A provision for expected credit losses of fees receivable is established when the Group expects that it will not be able to collect all amounts due according to the original terms of the receivables.

At 31 August 2022, gross fees receivables were AED 607,502 (2021: AED 457,691) and provision for expected credit losses amounted to AED 46,125 (2021: AED 46,125). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the combined statement of comprehensive income.

*Useful lives of property and equipment and investment property*
The Group's management determines the estimated useful lives of its equipment, building and vehicles for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

**Judgments**
In the process of applying the Centre’s accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

*Revenue from contracts with customers*
The Group has applied the following judgements that significantly affect the determination of the amount and timing of revenue from contract with customers:

- *Identifying performance obligation for sale of goods and provision of service*

The Group is engaged in assisting handicapped children with both academic and vocational training. At inception, the Group identifies the performance obligation embedded in contracts. All services are identified in the contract with the students. There are no other performance obligations or benefits derived by the students from the contracts.

- *Determining the timing of satisfaction of services*

The Group recognise revenue when (or as) the performance obligation are satisfied by rendering services to students. The revenue is recognised at point in time for donations and events income is received and over a period of time for tuition fees and rental income in the manner in which it satisfies the performance obligations.

- *Determining the transaction price and allocating to performance obligation*

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which it expects to be entitled in exchange for transferring services to students and other parties. Since the price for all service are separately identified in the contract, and the Group does not consider any specific allocation of transaction price to performance obligations.

- *Consideration of significant financing component in a contract*

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

*Going concern*
The management has made an assessment of the Centre’s ability to continue as a going concern and is satisfied that the Branch has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Branch’s ability to continue as a going concern. therefore, the financial statements have been prepared on the going concern basis.

## 18 CORPORATE INCOME TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Group.

The Group should be subject to the provisions of the UAE CT Law with effect from 1 September 2023, and current taxes shall be accounted for as appropriate in the combined financial statements for the financial year beginning 1 September 2023. The Group is in the process of assessing the impact of deferred tax in accordance with IAS 12 based on the current provisions of the UAE CT Law (including interpretation based on the Ministerial decisions and related guidance) and in accordance with IAS 12 Income Taxes.

## 19 COMPARATIVE FINANCIAL INFORMATION

Certain prior year amounts have been reclassified to conform with current year's presentation. The following table summarises the effect of prior period reclassifications on the combined statement of financial position. Such reclassifications have not impacted the previously reported profit or equity.

| | *31 August 2021 -Unaudited* | | |
|---|---|---|---|
| | *As previously reported AED* | *Reclassification AED* | *As reported now AED* |
| **Combined Statement of financial position** | | | |
| *Non-current liabilities* | | | |
| Borrowings | 5,129,433 | (310,219) | 4,819,214 |
| Government grant | 7,148,142 | (506,245) | 6,641,897 |
| *Current liabilities* | | | |
| Borrowings | - | 310,219 | 310,219 |
| Government grant | - | 506,245 | 506,245 |