

**GEMS Menasa (Cayman) Limited
and its subsidiaries**

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2014

Directors Statement

The Group has delivered on our expectations for the financial year ended 31 March 2014. We have successfully grown both enrolments in existing schools and added much needed new capacity in the education markets we serve.

Student enrolments increased by 13.6% to reach 90,294 at 31 March 2014 from 79,489 at 31 March 2013.

Total Income for the Group increased by 22.7% year-on-year to \$559.5m (31 March 2013, \$455.9m) and profit for the year reached \$75.0m (31 March 2013, \$42.7m).

During the year end 31 March 2014 we added six new schools; with openings across the UAE in Abu Dhabi, Dubai, Ras Al Khaimah, and in Kampala, Uganda. We also increased substantially our investment in schools, with over \$267m invested in this same period and will continue our expansion in the current financial year.

We continue to focus on the delivery of outstanding education in all segments we serve. We are pleased to have once again received the 'outstanding' level of school assessment from the Dubai School Inspection Bureau for five of our schools and we continue to raise standards across all of our schools. This recognition is due to our focus on an academic, sporting, social and a values driven programme in all of our schools regardless of curriculum or fee point.

At 31 March 2014 we had over 11,500 employees working for our Group and our success is a reflection of the dedication and commitment shown by our teaching and support staff.

We continue to strive for excellence and are grateful for the ongoing role and support for the sector from the UAE Ministries of Education, school inspectorates and the key education regulators, Abu Dhabi Education Council and Knowledge & Human Development Authority; all are vital to ensuring the education sector delivers on the needs of the region.

I am confident that GEMS Education and the sector as a whole has a bright future ahead and we are well placed to continue to deliver solutions that are beneficial to our students, parents, regulators and all our stakeholders.



Dino Varkey, Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF GEMS MENASA (CAYMAN) LIMITED

We have audited the accompanying consolidated financial statements of GEMS Menasa (Cayman) Limited (the "Holding Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2014 and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



31 July 2014

Dubai, United Arab Emirates

GEMS Menasa (Cayman) Limited and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 March 2014

	<i>Notes</i>	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
INCOME			
Fee income		529,161	437,429
Other income		29,958	18,190
Share of profit of a joint venture	7	341	322
TOTAL INCOME		<u>559,460</u>	<u>455,941</u>
EXPENSES			
Selling and administrative expenses		227,447	189,184
Direct education costs		173,717	144,146
Depreciation	4	49,198	41,080
Finance costs		27,704	36,004
Pre-operative expenses		5,251	1,868
Amortisation of intangible assets	6	1,129	933
TOTAL EXPENSES		<u>484,446</u>	<u>413,215</u>
PROFIT FOR THE YEAR	3	<u>75,014</u>	<u>42,726</u>
Attributable to:			
Equity holders of the Holding Company		74,367	42,028
Non-controlling interests		647	698
		<u>75,014</u>	<u>42,726</u>

The attached notes 1 to 24 form part of these consolidated financial statements.

GEMS Menasa (Cayman) Limited and its subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	<i>Notes</i>	<i>2014 USD'000</i>	<i>2013 USD'000</i>
PROFIT FOR THE YEAR		75,014	42,726
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods :</i>			
Exchange difference on translation of foreign operations		(38)	271
Change in fair value of cash flow hedge	14	(1,281)	2,945
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(1,319)	3,216
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		73,695	45,942
Attributable to:			
Equity holders of the Holding Company		73,048	45,244
Non-controlling interests	16	647	698
		73,695	45,942

The attached notes 1 to 24 form part of these consolidated financial statements.

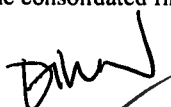
GEMS Menasa (Cayman) Limited and its subsidiaries

CONSOLIDATED STATEMENT FINANCIAL POSITION

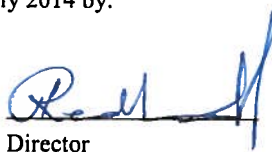
As at 31 March 2014

	<i>Notes</i>	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
ASSETS			
Non-current assets			
Property and equipment	4	575,378	508,258
Loan to a related party	5	80,000	-
Intangible assets	6	3,150	3,112
Interest in joint ventures	7	185	448
Goodwill		272	272
		<u>658,985</u>	<u>512,090</u>
Current assets			
Inventories	8	1,332	968
Accounts receivable and prepayments	9	350,926	246,890
Loan to a related party	5	50,000	-
Bank balances and cash	10	34,619	54,441
		<u>436,877</u>	<u>302,299</u>
TOTAL ASSETS		<u><u>1,095,862</u></u>	<u><u>814,389</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1	1
Restricted reserve	13	490	490
Translation reserve	13	(60)	(22)
Cash flow hedge reserve	14	(1,281)	-
Retained earnings		121,841	206,207
Subordinated perpetual certificates	15	193,740	-
		<u>314,731</u>	<u>206,676</u>
Equity attributable to owners of the parent		<u>314,731</u>	<u>206,676</u>
Non-controlling interests	16	1,092	1,143
TOTAL EQUITY		<u><u>315,823</u></u>	<u><u>207,819</u></u>
Non-current liabilities			
Term loans	17	460,312	384,633
Employees' end of service benefits	18	34,025	28,285
		<u>494,337</u>	<u>412,918</u>
Current liabilities			
Accounts payable and accruals	19	217,292	162,051
Term loans	17	67,129	31,074
Bank overdrafts	10	-	527
Derivative financial instruments	14	1,281	-
		<u>285,702</u>	<u>193,652</u>
Total liabilities		<u><u>780,039</u></u>	<u><u>606,570</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,095,862</u></u>	<u><u>814,389</u></u>

The consolidated financial statements were approved on 31 July 2014 by:



Director



Director

The attached notes 1 to 24 form part of these consolidated financial statements.

GEMS Menasa (Cayman) Limited and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	<i>Notes</i>	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
OPERATING ACTIVITIES			
Profit for the year		75,014	42,726
Adjustments for:			
Depreciation	4	49,198	41,080
Gain on sale and lease back		(2,479)	-
(Gain) / loss on disposal of property and equipment		(27)	340
Amortisation of intangible assets	6	1,129	933
Provision for employees' end of service benefits		8,562	7,935
Finance costs		28,265	24,336
Finance income		(5,733)	(50)
Share of profit in joint venture	7	(341)	(322)
		<u>153,588</u>	<u>116,978</u>
Working capital changes:			
Inventories		(364)	(28)
Accounts receivable and prepayments		(219,500)	(107,165)
Accounts payable and accruals		46,508	100,159
		<u>(19,768)</u>	<u>109,944</u>
Cash (used in) / from operations		(19,768)	109,944
Interest paid		(28,265)	(24,336)
Employees' end of service benefits paid	18	(2,988)	(3,524)
		<u>(51,021)</u>	<u>82,084</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	4	(267,872)	(143,740)
Proceeds from disposal of property and equipment		119,681	-
Purchase of intangible assets	6	(1,167)	(1,041)
Dividend received from joint venture	7	604	-
Interest received		5,733	50
Bank deposits	10	(7,679)	4,359
		<u>(150,700)</u>	<u>(140,372)</u>
Net cash used in investing activities		(150,700)	(140,372)
FINANCING ACTIVITIES			
Net proceeds from subordinated perpetual certificates	15	193,740	-
Loan to a related party	5	(130,000)	-
Proceeds from term loans	17	146,123	449,502
Repayments of term loans	17	(34,389)	(350,103)
Net movement in non-controlling interests		(698)	(576)
		<u>174,776</u>	<u>98,823</u>
Net cash from financing activities		174,776	98,823
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(26,945)	40,535
Net foreign exchange difference		(38)	271
Cash arising on transfer of subsidiaries		9	(5,937)
Cash and cash equivalents at the beginning of the year		51,593	16,724
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	<u>24,619</u>	<u>51,593</u>

The attached notes 1 to 24 form part of these consolidated financial statements.

GEMS Menasa (Cayman) Limited and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

Attributable to equity holders of the Holding Company

	Share capital USD '000	Share premium USD '000	Restricted reserve USD '000	Translation reserve USD '000	Cash flow hedge reserve USD '000	Retained earnings USD '000	Subordinated perpetual certificates USD '000	Total USD '000	Non-controlling interests USD '000	Total equity USD '000
Balance at 1 April 2012	1	41,964	467	(293)	(2,945)	122,238	-	161,432	1,021	162,453
Other comprehensive income	-	-	-	271	2,945	-	-	3,216	-	3,216
Profit for the year	-	-	-	-	-	42,028	-	42,028	698	42,726
Total comprehensive income for the year	-	-	-	271	2,945	42,028	-	45,244	698	45,942
Transfer to restricted reserve	-	-	23	-	-	(23)	-	-	-	-
Transfer to retained earnings	-	(41,964)	-	-	-	41,964	-	-	-	-
Transfer to Intermediate Parent Company	-	-	-	-	-	-	-	-	(42)	(42)
Amount paid during the year	-	-	-	-	-	-	-	-	(534)	(534)
Balance at 31 March 2013	1	-	490	(22)	-	206,207	-	206,676	1,143	207,819
Other comprehensive income	-	-	-	(38)	(1,281)	-	-	(1,319)	-	(1,319)
Profit for the year	-	-	-	-	-	74,367	-	74,367	647	75,014
Total comprehensive income for the year	-	-	-	(38)	(1,281)	74,367	-	73,048	647	73,695
Issue of subordinated perpetual certificates (note 15)	-	-	-	-	-	-	193,740	193,740	-	193,740
Mudaraba profit payable for subordinated perpetual certificates (note 15)	-	-	-	-	-	(8,733)	-	(8,733)	-	(8,733)
Dividend paid (note 12)	-	-	-	-	-	(150,000)	-	(150,000)	-	(150,000)
Amount paid during the year (note 16)	-	-	-	-	-	-	-	-	(698)	(698)
Balance at 31 March 2014	1	-	490	(60)	(1,281)	121,841	193,740	314,731	1,092	315,823

The attached notes 1 to 24 form part of these consolidated financial statements.

GEMS Menasa (Cayman) Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2014

1 ACTIVITIES

GEMS Menasa (Cayman) Limited (the "Holding Company") was incorporated and registered in the Cayman Islands as a limited liability company on 19 February 2007, under the Companies law (2004 revision) of the Cayman Islands. The consolidated financial statements incorporate the results of financial statements of the Holding Company and its subsidiaries (collectively referred to as "the Group"). The principal activities of the Group are to invest, manage and operate educational entities under the education management brand, GEMS Education. The registered address of the Holding Company is PO Box 309GT, Umland House, Grand Cayman, KY1 – 1104, Cayman Island. The shareholder of the Holding Company is GEMS MENASA Topco (Cayman) Limited (the "Parent Company"). The name of the ultimate parent is Varkey Settlement (the "Ultimate Parent") of which Mr Sunny Varkey and his immediate family members are beneficiaries. The largest group for which consolidated accounts are drawn up is for Varkey Group Limited ("Intermediate Parent Company"), a company incorporated and registered in the British Virgin Islands as a limited liability company.

The Group has 100% ownership interest in all subsidiaries, except, where mentioned otherwise. The companies in which the Holding Company has an interest or beneficial ownership and which are consolidated as subsidiaries are as follows:

1. Premier Schools International (LLC) (PSI LLC) – registered in the UAE (one school is 75% owned, refer note 16)
2. Global Educational Management Systems Establishment – registered in the UAE
3. School Improvement Partnership Limited – registered in the Cayman Islands
4. School Transport Services (LLC) – registered in the UAE
5. Bright Bus Transport – registered in the UAE
6. Varkey International Limited – registered in the Republic of Mauritius
7. Global Education Management Systems Limited – registered in the British Virgin Islands
8. Global Education Management Systems (South Africa) (Pty) (Ltd) – registered in the Republic of South Africa
9. Education Holdings 1 Limited – registered in the Dubai International Financial Centre
10. Education Holdings 2 Limited – registered in the Dubai International Financial Centre
11. Global Educational Management Systems Establishment – registered in the Kingdom of Saudi Arabia
12. School Improvement Partnership Limited (SPC) – registered in Bahrain
13. GEMS Manco (Egypt) Limited – registered in Egypt
14. East Sports Equipment Articles and Services LLC – registered in the UAE (75% owned)
15. GEMS MENASA OPCO (Cayman) Limited - registered in the Cayman Islands
16. GEMS Education (Africa) Limited – registered in the Cayman Islands
17. GEMS Cambridge International School – registered in Kenya
18. GEMS Co. – registered in the Kingdom of Saudi Arabia

During the current year, the Group has formed the following new entities and consolidated them as subsidiaries:

1. GEMS MEA SUKUK Limited - registered in the Cayman Islands
2. GEMS Cambridge International School – registered in Uganda
3. School Sports Solutions Limited - registered in the Cayman Islands

During the year, the Intermediate Parent Company has transferred Safecore Security to the Holding Company with effect from 1 April 2013 at carrying value and has been consolidated as a subsidiary.

During the previous year, the Group has transferred the following subsidiaries to the Intermediate Parent Company with effect from 1 April 2012:

1. Global Education Management Systems Private Limited – registered in India;
2. Zanskar Properties Private Limited – registered in India;
3. Premier Educational Establishment Private Limited – registered in India;
4. GEMS Education (Asia) 1 Limited - registered in Mauritius;
5. GEMS Education (Asia) 2 Limited - registered in Mauritius; and
6. Concorde Residential Schools (Kerala) Private Limited – registered in India.

The student strength as of 31 March 2014 was 90,294 students (2013: 79,489 students). The Group had 11,509 employees as of 31 March 2014 (2013: 9,595 employees).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared under the historical cost convention, modified to include the fair valuation of derivative financial instruments.

The consolidated financial statements are presented in United States Dollar (USD). However, the Group's functional currency remains as the United Arab Emirates Dirham (AED). The AED is currently pegged to the US Dollar. The Group is using USD as its presentation currency to comply with the internal reporting requirements of the Parent Company. Balances and transactions have been translated from AED to USD at the rate at which the currencies are fixed for the years ended 31 March 2014 and 31 March 2013, USD 1 being equivalent to AED 3.675. All values are rounded to the nearest thousand (USD'000), except when otherwise stated.

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries as at the reporting date listed in note 1. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 April 2013:

(a) Standards, amendments and interpretations effective from 1 April 2013 which are adopted by the Group during the year are as follows:

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ('recycled') to statement of income at a future point in time (e.g., net loss or gain on Available for Sale financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings).

The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes.

The amendments affect presentation only and have no impact on the Group's financial position or performance.

IFRS 10 – Consolidated Financial Statements

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity directly or indirectly controls one or more entities to present consolidated financial statements. It defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The adoption of the standard did not have any material impact on the consolidated financial statements.

IFRS 11 – Joint Arrangements

IFRS 11 relates to joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement:

- a) Joint operations: where joint operators have rights to the assets and obligations for the liabilities of the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses.
- b) Joint ventures: where the joint venturers have rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The adoption of the standard did not have any material impact on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard has no effect on the Group's financial position, performance or its disclosures.

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures including fair value hierarchy, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Standards, amendments and interpretations effective from 1 April 2013 which are adopted by the Group during the year (continued)

IAS 27 (revised 2011) – Separate financial statements

IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The adoption of the revised standard did not have any material impact on the consolidated financial statements.

IAS 28 (revised 2011) – Associates and joint ventures

IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The adoption of the revised standard did not have any material impact on the consolidated financial statements.

Amendment to IAS 19 – Employee benefits

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The adoption of the amendment did not have any material impact on the consolidated financial statements.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

(b) Standards, amendments and interpretations in issue but not effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below:

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The Company will quantify the effect of IFRS 9 in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment. In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Standards, amendments and interpretations in issue but not effective (continued)

These amendments are effective for annual periods beginning on or after 1 January 2014 are not expected to have any impact on the consolidated financial statements of the Group.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRS 14 Regulatory Deferral Accounts

The objective of IFRS 14 is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation. IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate regulated entities that have not yet adopted International Financial Reporting Standards (IFRS). Its purpose is to allow rate-regulated entities adopting IFRS for the first-time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the IASB can complete its comprehensive project on rate regulated activities. IFRS 14 is effective on or after 1 January 2016. These amendments are not expected to be relevant to the Group.

Management anticipates that all of the above Standards, Amendments and Interpretations will be adopted by the Group to the extent applicable to them from their effective dates. The adoption of these Standards, Amendments and Interpretations is not expected to have any material impact on the financial statements of the Group in the period of their initial application.

(c) Improvements to IFRSs

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period. The Group provides minimum required comparative information.

IAS 16 Property, Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. This improvement did not have any impact on the accounting policies, financial position or performance of the Group.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. This improvement did not have any impact on the accounting policies, financial position or performance of the Group.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. This amendment did not have any impact on the accounting policies, financial position or performance of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and net off discounts and rebates and excluding sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Fee income

Fee income includes tuition, transport, registration, annual, admission, computer fees, management fees and operational fees.

The revenue from different fee income is recognised as follows:

- Tuition, annual and computer fees are recognised over the period of time the services are rendered.
- Registration and admission fees are recognised at the time of enrolment.
- Transportation fees are recognised over the period of time the services are rendered.
- Management fees are recognised over the period of time that management services are rendered.
- Operational fees are recognised over the period of operations.

Interest income

Interest income is recognised as the interest accrues using the effective interest method.

Other income

Other income includes outsourced income from sale of books, uniforms and canteen sales and is recognised in the same period of sales.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

Leasehold buildings and improvements	5 to 50 years or the lease period (whichever is less)
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 8 years
Library books	4 years

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

Intangible assets

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

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in consolidated statement of income when the asset is derecognised.

Software costs

Software costs are initially recognised at amounts paid and expenses incurred by the Group for developing the ERP and GEMS learning gateway software. Following initial recognition, these are carried at cost less any accumulated amortisation and any impairment losses. Software costs are amortised on a straight line basis over a period of 5 years.

Investments

Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. The Group's interests in the joint ventures are accounted for under the equity method. Under the equity method, the interest in joint ventures is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the jointly controlled entity less any impairment in value. The statement of consolidated income reflects the Group's share of the results of its interest in the joint venture. Unrealised profits or losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture, if any.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets

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

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

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 consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments

Financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. These derivative financial instruments are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in consolidated statement of other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of hedge accounting, the interest rate swaps are classified as cash flow hedges if they effectively hedge the Group's exposure to variability in cash flows attributable to future interest payments on Group borrowings. The effective portion of the gain or loss on the interest rate swaps is recognised in the other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised in the consolidated income statement. Amounts taken to the consolidated statement of changes in equity are transferred to the consolidated income statement when the forecasted interest payment, to which the hedging instrument relates, is made.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Upon such discontinuance in the case of cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. When such transactions occurs, the gain or loss retained in equity is recognised in the consolidated income statement or included in the initial measurement of the cost of the related asset or liability, as appropriate. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated statement of income.

Derivative financial instruments which are used to manage interest rate risk arising from the non-contracted liabilities are classified as held for trading and do not qualify for hedge accounting.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated statement of income.

Fair value of financial instruments

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash 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.

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is determined using the weighted average method.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal. Obsolete inventory items are written off during the year in which they are identified.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

Term loans

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

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 statement of financial position date.

Interest is charged as an expense as it accrues, with unpaid amounts included in 'accounts payable and accruals'.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' 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.

With respect to its national employees, wherever applicable, the Group makes contributions to a government scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction 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 consolidated statement of income in the year in which they are incurred.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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 the consolidated statement of income on a straight-line basis over the lease term.

Contingencies

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

Foreign currency translation

The Group's financial statements are presented in United States Dollars, which is the Group's presentation currency. The Group's functional currency is the United Arab Emirates Dirham.

i) Transactions and balances

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

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

All differences are taken to the consolidated statement of income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

ii) Group companies

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Subordinated Perpetual Certificates

The Subordinated Perpetual Certificates (the "Certificates") are perpetual with no fixed redemption date. The Certificates currently carry a fixed periodic profit rate of 12% per annum, payable semi-annually in arrears, however these can be deferred at the option of the Group. Management has accounted for these instruments as equity in the consolidated financial statements as the Certificates do not carry an obligation to make payments save in the case of certain triggering events all of which are within the control of the Group. The transaction cost incurred on issuance of these Certificates has been deducted from equity.

Segment reporting

The Group has presented the segment information in respect of its business and geographical segments in the same way as it is presented internally to the management.

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Classification of lease - the Group as lessee

The Group has entered into sale and lease back transactions for leasehold buildings and improvements. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that all the significant risks and rewards of ownership of these leasehold improvements has been transferred to the lessor and the Group will not be able to obtain the ownership by end of the lease term and so accounts for the lease contracts as operating leases.

Classification of subordinated perpetual certificates – equity or liability

The Group has issued certificates which have no contractual obligations either:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

Accordingly the certificates has been classified as equity in the consolidated financial statements by the management.

Estimates and assumptions

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

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

Impairment of investment in joint ventures

At each reporting date, an assessment is made whether there is any objective evidence of impairment in the carrying values of investments in joint ventures. In such instances, the investment is subject to an impairment test by comparing the carrying amount to the recoverable amount of the asset. Considering the long term nature of these investments, the recoverable amount is determined based on the value-in-use calculations. Calculating the value-in-use implies obtaining cash flow forecasts from the management of the equity accounted investments.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of fees receivable

An estimate of the collectible amount of fees receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

At the reporting date, gross fees receivable and the provision for doubtful debts are disclosed in note 9 to the consolidated financial statements. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the reporting date, gross inventories were USD 1.4 million (2013: USD 1 million) with provisions for old and obsolete inventories of USD 0.1 million (2013: USD 0.1 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment 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. As at 31 March 2014, the estimated useful lives of school buildings were revised by the management, from 20 years to 50 years

Useful lives of intangible assets

The Group's management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined after considering the expected usage of the asset. Management reviews the residual value and useful lives annually and future amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Staff costs	<u>256,845</u>	<u>226,683</u>
Rental-operating leases	<u>38,360</u>	<u>24,441</u>

GEMS Menasa (Cayman) Limited and its subsidiaries

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As at 31 March 2014

4 PROPERTY AND EQUIPMENT

	Land USD '000	Leasehold buildings and improvements USD '000	Furniture, fixtures and equipment USD '000	Motor vehicles USD '000	Library books USD '000	Capital work-in-progress USD '000	Total USD '000
Cost:							
At 1 April 2013	-	459,808	113,113	73,704	13,109	71,987	731,721
Additions	19,458	11,898	27,256	13,945	3,769	191,546	267,872
Disposals	-	(151,241)	(2,365)	(101)	(6)	-	(153,713)
Transfer to entities under control of Parent Company	-	-	-	-	-	(34,379)	(34,379)
Transfer from capital-work-in-progress	-	136,472	3,230	-	79	(139,781)	-
At 31 March 2014	19,458	456,937	141,234	87,548	16,951	89,373	811,501
Depreciation:							
At 1 April 2013	-	93,218	75,069	46,331	8,845	-	223,463
Provided during the year	-	24,304	15,201	7,517	2,176	-	49,198
Disposals	-	(34,144)	(2,318)	(70)	(6)	-	(36,538)
At 31 March 2014	-	83,378	87,952	53,778	11,015	-	236,123
Net carrying amount:	19,458	373,559	53,282	33,770	5,936	89,373	575,378

GEMS Menasa (Cayman) Limited and its subsidiaries

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4 PROPERTY AND EQUIPMENT (continued)

	Land USD '000	Leasehold buildings and improvements USD '000	Furniture, fixtures and equipment USD '000	Motor vehicles USD '000	Library books USD '000	Capital work-in-progress USD '000	Total USD '000
Cost:							
At 1 April 2012	5,744	348,380	94,787	66,992	10,670	94,997	621,570
Additions	-	11,924	17,357	7,007	2,450	105,002	143,740
Transfer from capital work-in-progress	-	100,292	3,199	-	-	(103,491)	-
Transfer to other receivables (Note f)	-	-	-	-	-	(16,146)	(16,146)
Transfer to the Intermediate Parent Company	(5,744)	(785)	(110)	(65)	-	(8,375)	(15,079)
Disposals/write off	-	(3)	(2,120)	(230)	(11)	-	(2,364)
At 31 March 2013	-	459,808	113,113	73,704	13,109	71,987	731,721
Depreciation:							
At 1 April 2012	-	73,702	63,800	40,053	6,977	-	184,532
Charge for the year	-	19,528	13,243	6,430	1,879	-	41,080
Transfer to the Intermediate Parent Company	-	(9)	(82)	(34)	-	-	(125)
Relating to disposals/write off	-	(3)	(1,892)	(118)	(11)	-	(2,024)
At 31 March 2013	-	93,218	75,069	46,331	8,845	-	223,463
Net carrying amount:	-	366,590	38,044	27,373	4,264	71,987	508,258

GEMS Menasa (Cayman) Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2014

4 PROPERTY AND EQUIPMENT (continued)

- a) Leasehold improvements represent the building costs related to the school premises, which are constructed on leasehold land.
- b) School buildings have been constructed on leasehold land. These long term leases are renewable on periodic basis although certain leases are for periods of up to 50 years. In the case of certain schools, the leases have been assigned or sublet to PSI LLC. In certain other cases, the leases are held in the name of the member of the Ultimate Parent and assignment process was either ongoing or had not started as at the reporting date. In such cases, the leases are confirmed to be held beneficially for the Group.
- c) Borrowing and staff costs amounting to USD 10.1 million and USD 8.6 million (2013: USD 10.0 million and USD 8.5 million) respectively have been capitalised during the year. The rate used to determine the amount of borrowing costs eligible for capitalisation is 5.5% per annum (2013: 7% to 9% per annum), which is the effective interest rate of the specific borrowing.
- d) Certain motor vehicles are hypothecated against bank loans obtained by the Group to finance the purchase of these vehicles.
- e) Capital work-in-progress includes capital expenditure incurred on the construction of school buildings.
- f) This represents the transfer of school building under construction to a third party in Qatar.
- g) As at 31 March 2014, the estimated useful lives of school buildings were revised by the management, from 20 years to 50 years. As a result of this change in the estimated useful life of the school buildings, there is no material impact on depreciation expense for the current year. The above changes will affect future periods as well and the impact on future periods has not been disclosed as it was considered impracticable to do so.
- h) During the year, the Group entered into sale and leaseback transactions relating to leasehold buildings and improvements pertaining to two schools in Dubai for an aggregate consideration of USD 122.9 million. The Group made a profit of USD 2.3 million upon the sale and leaseback transactions. The sale and leaseback transactions carry lease rentals at prevailing market rates and are secured by corporate guarantees from the Holding Company. The related operating lease commitment for sale and leaseback transactions is disclosed in note 21.

5 RELATED PARTY TRANSACTIONS

Transactions with related parties, included in the consolidated financial statements, are as follows:

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
i) Entities under control of the Intermediate Parent Company:		
<i>Income</i>		
Fee income	69	127
Other income	6,500	357
	<u>6,569</u>	<u>484</u>
<i>Expenses</i>		
Repairs and maintenance included under selling and administrative expenses	8,252	6,073
<i>Capitalised expense</i>		
Leasehold improvements and capital work-in-progress	140,388	56,866
ii) Expenses recharged to the Parent Company	<u>19,179</u>	<u>-</u>

GEMS Menasa (Cayman) Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2014

5 RELATED PARTY TRANSACTIONS (continued)

iii) Balances with related parties included in the consolidated statement of financial position are as follows:

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
<i>Loan to a related party:</i>		
Current portion	50,000	-
Non-current portion	80,000	-
	<u>130,000</u>	<u>-</u>

Loan to a related party pertains to a murhaba facility (in accordance with Murhaba Agreement dated 25 November 2013) given by the Holding Company to the Parent Company for five years at a profit rate of 12% per annum out of the Subordinated Perpetual Certificates proceeds.

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
<i>Amounts due from related parties:</i>		
Intermediate Parent Company	92,914	92,914
Entities under control of the Intermediate Parent Company	47,920	48,281
Parent Company	85,523	555
Entities under control of the Parent Company	19,329	19,329
Other related parties	7	329
	<u>245,693</u>	<u>161,408</u>

<i>Amounts due to related parties:</i>		
Entities under control of the Intermediate Parent Company	38,402	4,521
Other related parties	-	958
	<u>38,402</u>	<u>5,479</u>

Outstanding balances at the year-end are unsecured and interest free.

For the year ended 31 March 2014, there was no impairment of amounts owed by related parties (2013: USD Nil). The impairment assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related party operates.

Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Salary and other benefits	<u>3,472</u>	<u>3,345</u>

The amount disclosed in the table are the amounts recognised as an expense during the reporting period.

GEMS Menasa (Cayman) Limited and its subsidiaries

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As at 31 March 2014

6 INTANGIBLE ASSETS

	<i>Software costs</i>	
	<i>2014</i>	<i>2013</i>
	<i>USD'000</i>	<i>USD'000</i>
Cost:		
At 1 April	5,217	4,176
Additions	1,167	1,041
At 31 March	<u>6,384</u>	<u>5,217</u>
Amortisation:		
At 1 April	2,105	1,172
Amortisation charge for the year	1,129	933
At 31 March	<u>3,234</u>	<u>2,105</u>
Net carrying amount:		
At 31 March	<u><u>3,150</u></u>	<u><u>3,112</u></u>

Software costs represent amounts paid and expenses incurred by the Group for developing the ERP and GEMS learning gateway software. Following initial recognition, these are carried at cost less any accumulated amortisation and any impairment losses. Software costs are amortised on a straight line basis over a period of 5 years.

During the year ended 31 March 2014, software development includes employees and related costs amounting to USD 1.2 million (2013: USD 1.0 million), related to development of the software.

7 INTEREST IN JOINT VENTURES

- a) Interest in a Joint Venture represents the Group's contribution to the share capital of Global Education Management Systems Limited Saudi (the "Joint Venture"), created with a third party to manage schools in the Kingdom of Saudi Arabia. The Group contributed towards its 50% interest in the Joint Venture.

	<i>2014</i>	<i>2013</i>
	<i>USD'000</i>	<i>USD'000</i>
Balance at the beginning of the year	448	126
Share of joint venture profit	341	322
Dividend received	(604)	-
Balance at the end of the year	<u>185</u>	<u>448</u>

The summarised financial information of the Joint Venture is as follows:

	<i>2014</i>	<i>2013</i>
	<i>USD'000</i>	<i>USD'000</i>
Non-current assets	<u>36</u>	<u>54</u>
Current assets	<u>412</u>	<u>1,176</u>
Current liabilities	<u>58</u>	<u>72</u>
Revenue	<u>1,432</u>	<u>1,638</u>
Profit	<u>682</u>	<u>644</u>

GEMS Menasa (Cayman) Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2014

7 INTEREST IN JOINT VENTURES (continued)

There are no contingent liabilities relating to the Group's interest in the Joint Venture.

- b) During the previous year, the Holding Company entered into a Joint Venture agreement to invest in the funding vehicle for two schools in Qatar, wherein the Holding Company has committed to invest approximately USD 5.49 million of the total share capital. The investment will represent approximately 9% equity in the funding vehicle. As at 31 March 2014, the Holding Company has not made any contribution (2013: Nil).

8 INVENTORIES

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Books, stationery, uniforms and others	1,319	878
Vehicle spare parts and consumables	107	143
	<u>1,426</u>	<u>1,021</u>
Provision for old and obsolete inventories	(94)	(53)
	<u>1,332</u>	<u>968</u>

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Fees receivable	8,211	7,407
Amounts due from related parties (note 5)	245,693	161,408
Prepaid expenses	44,021	30,242
Advances to suppliers	28,479	16,461
Deposits	5,047	2,322
Other receivables	19,475	29,050
	<u>350,926</u>	<u>246,890</u>

As at 31 March 2014, fees receivable with a nominal value of USD 0.8 million (2013: USD 0.9 million) were impaired. Movements in the allowance for impairment of fees receivable were as follows:

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Balance at the beginning of the year	854	1,665
Charge for the year	727	506
Amounts written off	(777)	(1,299)
Unused amounts reversed	(48)	(18)
	<u>756</u>	<u>854</u>

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As at 31 March 2014

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 March, the ageing of unimpaired fees receivable was as follows:

	<i>Total</i> USD'000	<i>Neither past due nor impaired</i> USD'000	<i>Past due but not impaired</i>				
			<i><30 days</i> USD'000	<i>30-60 days</i> USD'000	<i>61-90 days</i> USD'000	<i>91-120 days</i> USD'000	<i>>120 days</i> USD'000
2014	8,211	1,223	1,714	2,176	2,012	367	719
2013	7,407	68	1,513	2,001	1,842	370	1,613

Unimpaired fees receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over fees receivable.

Prepaid expenses include an amount of USD 7.4 million (2013: USD 2.4 million) representing advance payment of rent for the operating lease of school buildings commencing 1 July 2007 for a period of 10 years.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows consist of the following:

	<i>2014</i> USD'000	<i>2013</i> USD'000
Cash in hand	2,519	853
Bank balances	22,100	45,638
Short term deposits	10,000	7,950
	<u>34,619</u>	<u>54,441</u>
Less: Short term deposits (maturity over three months)	(10,000)	(2,321)
Bank overdraft	-	(527)
	<u>24,619</u>	<u>51,593</u>

Included in bank balances and cash are bank deposits amounting to USD 10.0 million (2013: USD 8.0 million) with commercial banks in the United Arab Emirates. These are denominated in UAE Dirhams with effective rates ranging from 2.50% to 3.25% per annum (2013: 2.50% to 3.25% per annum). Deposits amounting to USD 10.0 million (2013: USD 8.0 million) are held under lien by banks as security for the issuance of certain guarantees.

11 SHARE CAPITAL

	<i>2014</i> USD'000	<i>2013</i> USD'000
<i>Authorised</i>		
50,000 shares of USD 1 each	<u>50</u>	<u>50</u>
<i>Issued and fully paid</i>		
340 shares of USD 1 each	<u>1</u>	<u>1</u>

GEMS Menasa (Cayman) Limited and its subsidiaries

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12 DIVIDEND

During the year ended 31 March 2014, the Holding Company has resolved to distribute a dividend amounting to USD 150 million. This transaction has been treated as non-cash transaction in the consolidated statement of cash flows, as settlement was done by offsetting shareholder receivable balance.

13 RESERVES

A) *Restricted reserve*

Restricted reserve represents statutory reserve of the subsidiary companies. The reserve is not available for distribution except in the circumstances stipulated by the Commercial Companies Law prevailing in the countries in which the subsidiaries have been incorporated.

B) *Translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the assets and liabilities of the foreign subsidiary into United States Dollar at year end exchange rates.

14 DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps

The Holding Company has entered into interest rate swap ("IRS") agreements to hedge its exposure against interest rate fluctuations on senior facility (note 17). An IRS is a derivative instrument in which one party exchanges a stream of interest payments for another party's stream of cash flows. The IRS exchanges an obligation to pay fixed cash flows in exchange for receiving cash flows based on floating interest rates and thereby limits the Group's exposure of a significant rise in a floating rate, but limits the benefits of a drop in that floating rate.

The Group's interest rate liability was capped between the range of 4.5% - 7% per annum (2013: 7% - 9% per annum). In the current year, the Group has applied hedge accounting and treated this IRS as an effective cash flow hedge as it effectively hedges the Group's exposure to variability in cash flows attributable to future interest payments on Group borrowings.

During the previous year, the Group has settled the syndicated loans (note 17) and accordingly, the IRS had become ineffective and the entire amount of USD 2.9 million being the negative fair value was transferred to the consolidated statement of income from consolidated statement of other comprehensive income.

The fair value of the derivative financial instruments, which are equivalent to the market value, together with the notional amount are set out below:

	<i>Notional amounts by term to maturity</i>			
	<i>Negative fair value USD'000</i>	<i>Notional amount USD'000</i>	<i>Within 1 years USD'000</i>	<i>1 to 5 yrs USD'000</i>
31 March 2014	<u>1,281</u>	<u>128,625</u>	<u>14,861</u>	<u>113,764</u>

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15 SUBORDINATED PERPETUAL CERTIFICATES

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Subordinated Perpetual Certificates	<u>193,740</u>	<u>-</u>

GEMS MEA Sukuk Limited (the "Issuer"), a limited liability Company registered in the Cayman Islands and a wholly-owned subsidiary of the Holding Company, has established a trust pursuant to which on 21 November 2013 the Issuer issued USD 200.0 million (AED 735.0 million) Subordinated Perpetual Certificates (the "Certificates" or "Sukuk"). Issuance costs amounting to USD 6.3 million were incurred. The Sukuk is listed on the Irish Stock Exchange and NASDAQ Dubai.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date. The Sukuk is callable by the issuer 5 years after the issue date, being 21 November 2018 (the "First Call Date"). The Sukuk bears an expected mudaraba profit rate of 12% per annum, from the issue date to, but excluding the First Call Date, payable semi-annually in arrears, however these can be deferred. The mudaraba profit distribution cannot be deferred if any of the restricted event occurs as defined in the mudaraba agreement. Mudaraba profit distributions will be reported in the consolidated statement of changes in equity.

Mudaraba profit

During the year, the Group has resolved to distribute the first semi-annual installment of mudaraba profit on its due date (21 May 2014). Accordingly, the accrual for proportionate mudaraba profit amounting to USD 8.7 million was made and reported in the consolidated statement of changes in equity.

16 NON-CONTROLLING INTERESTS

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Balance at the beginning of the year	1,143	1,021
Share of total comprehensive income for the year	647	698
Amounts paid during the year	(698)	(534)
Non-controlling interest transferred to Intermediate Parent Company	-	(42)
Balance at the end of the year	<u>1,092</u>	<u>1,143</u>

The non-controlling interests represent 25% (2013: 25%) of the equity of one of the schools under PSI LLC (GEMS Jumeirah Primary School – note 1) and 25% (2013: 25%) of the equity in East Sports Equipment Articles and Services L.L.C. (note 1).

During the previous year, non-controlling interests representing 24.66% equity in Concorde Residential Schools (Kerala) Private Limited attributable to an outside investor has been transferred to the Intermediate Parent Company with effect from 1 April 2012.

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17 TERM LOANS

	<i>Senior facility USD'000</i>	<i>Syndicated loans USD'000</i>	<i>Bilateral loan USD'000</i>	<i>Other term loans USD'000</i>	<i>Total USD'000</i>
<i>At 31 March 2014</i>					
Balance as at 1 April	400,000	-	-	15,707	415,707
Loans obtained during the year	125,170	-	-	20,953	146,123
Repayments during the year	(26,020)	-	-	(8,369)	(34,389)
Total	<u>499,150</u>	<u>-</u>	<u>-</u>	<u>28,291</u>	<u>527,441</u>
<i>At 31 March 2013</i>					
Balance as at 1 April	-	258,668	44,033	13,607	316,308
Loans obtained during the year	400,000	-	-	49,502	449,502
Repayments during the year	-	(258,668)	(44,033)	(47,402)	(350,103)
Total	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>15,707</u>	<u>415,707</u>

Term loans are included in the consolidated statement of financial position as follows:

	<i>2014 USD'000</i>	<i>2013 USD'000</i>
Current portion	67,129	31,074
Non-current portion	460,312	384,633
	<u>527,441</u>	<u>415,707</u>

Senior Facility

During the previous year, the Holding Company entered into a conventional and Islamic facility (the "Senior Facility") to refinance existing loans and to fund future capital expenditure. The Senior Facility comprises conventional facilities with a consortium of banks for USD 171.4 million (AED 630.0 million) and Islamic facilities with a consortium of banks for USD 372.8 million (AED 1,370.0 million).

The conventional facility of USD 171.4 million comprises two parts as follows:

1. Facility A USD 109.3 million
2. Facility B USD 62.1 million

During the year, the Holding Company drew USD 39.4 million from Facility B. As at 31 March 2014, the undrawn balance of Facility B is USD 6.0 million (2013: USD 45.4 million). Facility A was fully drawn in March 2013. Facility A was obtained for the purpose of refinancing the existing syndicated loan facility. Facility B was obtained for the purpose of permitted acquisitions and refinancing or the acquisition of indebtedness of entities acquired pursuant to permitted acquisition and permitted capital expenditure. Facility A and Facility B are repayable in 11 and 8 half yearly installments beginning 31 March 2014 and 30 September 2015 respectively until 31 March 2019. The total outstanding balance for conventional facility as at 31 March 2014 is USD 157.2 million (2013: USD 126.0 million).

The Islamic facility of USD 372.8 million comprises two parts as follows:

1. Facility A USD 237.7 million
2. Facility B USD 135.1 million

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17 TERM LOANS (continued)

Senior Facility (continued)

During the year, the Holding Company drew USD 85.8 million from Facility B. As at 31 March 2014, the undrawn balance of Facility B is USD 13.0 million (2013: USD 98.8 million). Facility A was fully drawn in March 2013. Facility A was obtained for the purpose of refinancing the existing syndicated loan facility. Facility B was obtained for the purpose of permitted acquisitions and refinancing or the acquisition of indebtedness of entities acquired pursuant to permitted acquisition and permitted capital expenditure. Facility A and Facility B are repayable in 11 and 8 half yearly installments beginning 31 March 2014 and 30 September 2015 respectively until 31 March 2019. The total outstanding balance for Islamic facility as at 31 March 2014 is USD 342.0 million (2013: USD 274.0 million).

The Senior Facility agreement requires meeting certain financial covenants and ratio tests.

The above facility is secured by the following:

- a) pledge over 70% of the shares of the Holding Company;
- b) pledge over 100% of the shares of School Improvement Partnership Limited;
- c) assignment of rights by the Holding Company and certain of its subsidiaries; and
- d) assignment of credit card collection of fees for certain subsidiaries.

The senior facility agreement carries interest rate of EIBOR plus margin. The margin is dependent on certain standard loan conditions and ranges from 3.5% to 4.25% per annum.

Syndicated loans

During the prior years, the Holding Company entered into a committed senior secured bank facility (Facility A and Facility B) with a consortium of banks for USD 200.0 million and an uncommitted senior secured bank facility (Facility C) with a consortium of banks for USD 100.0 million. The USD 300.0 million financing facility comprised three parts as follows:

1. Facility A	USD 150.0 million
2. Facility B	USD 50.0 million
3. Facility C	USD 100.0 million

Facility A was drawn in prior years for USD 150.0 million. Facility A was repayable in 10 half yearly installments. This facility was obtained for the purpose of refinancing a syndicated loan facility, other term loans and for general corporate purposes.

Facility B was drawn during the prior years for USD 50.0 million. Facility B was repayable in 7 half yearly installments. This facility was obtained for the purpose of permitted acquisitions, capital expenditure and refinancing or the acquisition of indebtedness of entities acquired pursuant to permitted acquisitions, as defined in the loan agreement.

Facility C was drawn during the prior years for USD 85.0 million. Facility C was repayable in 7 half yearly installments. This facility was obtained for the purpose of permitted acquisitions, capital expenditure and refinancing or the acquisition of indebtedness of entities acquired pursuant to permitted acquisitions, as defined in the loan agreement.

All the above facilities were settled in March 2013.

Bilateral loan

During the prior years, the Holding Company entered into a bilateral agreement with a commercial bank for a bank facility of USD 65.0 million. The facility was drawn during the prior years amounting to USD 44.0 million and is repayable in eight quarterly installments. This facility was obtained for the purpose of its operating subsidiaries capital expenditure, meeting expansion plans and for general corporate purposes. The loan was settled during the previous year.

Other term loans

During the year, short term loans were obtained from a commercial bank to finance the working capital requirements of the Group. As at 31 March 2014, the outstanding balance of short term loan is USD 10 million (2013: USD 4.4 million). As the term loans carry interest at a rate that varies with market movements the fair value approximates carrying value.

Other term loans of USD 18.3 million (2013: USD 11.3 million) represent vehicle loans. These term loans are secured over motor vehicles and carry an average interest rate of 3.6% to 5.15% per annum (2013: 3.6% to 5.15% per annum).

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18 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Provision at the beginning of the year	28,285	24,022
Provided during the year	8,562	7,935
End of service benefits paid	(2,988)	(3,524)
End of service benefit transferred from /(to) related parties (net)	166	(148)
	<u>34,025</u>	<u>28,285</u>

19 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Trade payables	27,017	32,785
Fees received in advance	92,535	68,433
Accrued expenses	32,783	37,486
Amounts due to related parties (note 5)	38,402	5,479
Other payables	26,555	17,868
	<u>217,292</u>	<u>162,051</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.
- Other payables are non-interest bearing and have an average term 60 to 120 days.

20 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation.

Geographic segments

The Group is currently developing a number of international business opportunities outside the UAE that may have a significant impact in future years. As at 31 March 2014, the majority of business activities and operations of the Group are in the UAE and the operations outside the UAE are not significant.

Primary segment information

For management purposes, the Group is organised into two major operating segments as follows:

- Education segment comprises of schools
- Other comprises of integrated services and all other segments

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20 SEGMENT INFORMATION (continued)

Primary segment information (continued)

Segmental information is presented below:

31 March 2014

	<i>Education USD'000</i>	<i>Others USD'000</i>	<i>Total USD'000</i>
Income	469,065	90,395	559,460
Expenses	(432,367)	(52,079)	(484,446)
Profit	<u>36,698</u>	<u>38,316</u>	<u>75,014</u>

31 March 2013

	<i>Education USD'000</i>	<i>Others USD'000</i>	<i>Total USD'000</i>
Income	384,655	71,286	455,941
Expenses	(362,510)	(50,705)	(413,215)
Profit	<u>22,145</u>	<u>20,581</u>	<u>42,726</u>

Other segment information

Segmental information in respect of assets and liabilities relating to the Group's operating segments is as follows:

31 March 2014

	<i>Education USD'000</i>	<i>Others USD'000</i>	<i>Total USD'000</i>
Segment assets	<u>998,036</u>	<u>97,826</u>	<u>1,095,862</u>
Segment liabilities	<u>565,847</u>	<u>214,192</u>	<u>780,039</u>
Depreciation	<u>39,880</u>	<u>9,318</u>	<u>49,198</u>
Capital expenditure	<u>248,839</u>	<u>19,033</u>	<u>267,872</u>

31 March 2013

	<i>Education USD'000</i>	<i>Integrated Services (net) USD'000</i>	<i>Total USD'000</i>
Segment assets	<u>637,361</u>	<u>177,028</u>	<u>814,389</u>
Segment liabilities	<u>244,219</u>	<u>362,351</u>	<u>606,570</u>
Depreciation	<u>33,479</u>	<u>7,601</u>	<u>41,080</u>
Capital expenditure	<u>136,395</u>	<u>7,345</u>	<u>143,740</u>

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As at 31 March 2014

21 COMMITMENTS AND CONTINGENCIES

A) Capital expenditure commitments

The Group has contracted, but not provided for, estimated capital expenditure of approximately USD 110.7 million (2013: USD 162.3 million) at the reporting date on account of leasehold buildings and improvements.

B) Operating lease commitments

Commitments under non-cancellable operating leases approximate to the following:

	<i>2014</i> <i>USD'000</i>	<i>2013</i> <i>USD'000</i>
Within one year	43,385	31,376
Between two and five years	179,620	98,639
Greater than five years	672,302	417,863
Total operating lease expenditure contracted for at the reporting date	<u>895,307</u>	<u>547,878</u>

C) Bank and other guarantees

The Group has given financial guarantees to the Ministry of Labour and Social Affairs and banks amounting to USD 10.7 million as at 31 March 2014 (2013: USD 2.4 million) in respect of work permit and related matters and others.

D) Litigation

During prior year, the Group filed a legal case against the contracting entity ("the entity") for unpaid contract sums due. The entity issued a counterclaim for damages against the Group for USD 11.7 million. The court of first instance rejected this counter claim, however this order was appealed and is currently before the Courts of Appeal. An expert report has estimated damages to be USD 1.8 million, however this is subject to Group's comments and is not a Court award at this stage. The outcome of the case cannot presently be determined.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade payables, term loans, bank overdrafts and due to related parties. The Group's financial assets are accounts receivable, due from related parties, loan to related parties and cash and bank balances.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group's management reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

Interest risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of a change in interest rates. The Group is not exposed to any significant interest rate risk on its interest bearing assets (short term deposits) and liabilities (vehicle loans and other term loans). In case of assets, the interest rates are fixed and in case of liabilities, the Group has partially overcome the fluctuation in the interest rates by entering into interest rate swaps in relation to Senior Facility.

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

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As at 31 March 2014

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit based on the floating rate financial liabilities held at 31 March 2014. The effect of a decrease in interest rates is expected to be equal and opposite to the effect of the increases as shown below:

	<i>Increase in basis points</i>	<i>Effect on profit USD'000</i>
2014	+50	(1,815)
2013	+50	(2,000)

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:

	<i>2014 USD'000</i>	<i>2013 USD'000</i>
Bank balances	22,100	45,638
Short term deposits	10,000	7,950
Fees receivable	8,211	7,407
Amounts due from related parties	245,693	161,408
Deposits	5,047	2,322
Loan to a related party	130,000	-
Other receivables	19,475	29,050
	<u>440,526</u>	<u>253,775</u>

The Group seeks to limit its credit risk with respect to student's fees by monitoring outstanding fees receivable. The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

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

Liquidity risk

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

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

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

	<i>Less than 3 months USD'000</i>	<i>3 to 12 months USD'000</i>	<i>1 to 5 years USD'000</i>	<i>>5 years USD'000</i>	<i>Total USD'000</i>
<i>At 31 March 2014</i>					
Trade payables	27,017	-	-	-	27,017
Other payables	-	26,555	-	-	26,555
Term loans; including interest	6,963	82,446	542,354	-	631,763
Amounts due to related parties	-	38,402	-	-	38,402
Total	<u>33,980</u>	<u>147,403</u>	<u>542,354</u>	<u>-</u>	<u>723,737</u>

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As at 31 March 2014

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

<i>At 31 March 2013</i>	<i>Less than 3 months USD '000</i>	<i>3 to 12 months USD '000</i>	<i>1 to 5 years USD '000</i>	<i>>5 years USD '000</i>	<i>Total USD '000</i>
Trade payables	31,118	1,667	-	-	32,785
Other payables	-	17,868	-	-	17,868
Term loans; including interest	5,190	43,763	337,046	100,732	486,731
Amounts due to related parties	-	5,479	-	-	5,479
Total	36,308	68,777	337,046	100,732	542,863

Currency risk

The Group is not exposed to any significant currency risk.

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 business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 March 2014 and 31 March 2013. Capital comprises the share capital, share premium, restricted reserve, translation reserve, cash flow hedge reserve, retained earnings, subordinated perpetual certificates and non-controlling interests and is measured at USD 315.8 million as at 31 March 2014 (2013: USD 207.8 million).

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of cash and bank balances, trade receivables and loan to a related party. Financial liabilities consist of bank overdrafts, term loans and payables.

The fair values of financial instruments are not materially different from their carrying values.

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.

Determination of fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>31 March 2014 USD '000</i>	<i>Level 1 USD '000</i>	<i>Level 2 USD '000</i>	<i>Level 3 USD '000</i>
Liabilities measured at fair value:				
Interest rate swap	(1,281)	-	(1,281)	-

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 at fair value measurements.

24 EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Group has entered into following transactions:

- 1) The Group has entered into further sale and leaseback transaction of leasehold improvements relating to three schools in Dubai.
- 2) The Group purchased the remaining 50% share capital in Global Education Management Systems Limited Saudi (note 7).
- 3) The Holding Company signed an Amendment and Restatement agreement to the Senior Facility (note 17). This included an additional Facility C amounting to USD 272.1 million (AED 1.0 Billion) to fund future capital expenditure.
- 4) The Parent Company has incorporated a fully owned subsidiary GEMS Menasa Holdings Ltd. The ownership of the Holding Company was transferred by the Parent Company to GEMS Menasa Holdings Ltd (New Parent Company). The Parent Company has sold a minority stake in the New Parent Company to a third party.