



ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

**Interim Condensed Consolidated Financial Statements
For the three-month periods ended 31 October 2022
together with the Independent Auditor's Review Report**

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Financial Statements
For the three-month periods ended 31 October 2022

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**INDEPENDENT AUDITOR'S REVIEW REPORT
ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(1 /1)

TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA**INTRODUCTION**

We have reviewed the accompanying interim consolidated statement of financial position of Ataa Educational Company (the "Company") and its subsidiaries (Collectively referred to as the "Group") as at 31 October 2022 and the related interim consolidated statement of profit and loss, interim consolidated statement of comprehensive income, interim consolidated statements of changes in equity and interim consolidated statements of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337
Riyadh: 13 Jumada Alawal 1444H
Corresponding to: 7 December 2022

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ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 October 2022

(Amounts in Saudi Riyals unless otherwise stated)

| | Note | 31 October 2022 (Unaudited) | 31 July 2021 (Audited) |
|---|------|--------------------------------|---------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Real estate, property and equipment | 4 | 811,395,040 | 804,742,006 |
| Intangible assets | | 620,780,388 | 621,524,338 |
| Right-of-use assets | | 487,236,219 | 497,472,930 |
| Total non-current assets | | 1,919,411,647 | 1,923,739,274 |
| Current assets | | | |
| Inventories | | 7,316,644 | 4,002,557 |
| Accounts receivable | 5 | 136,166,169 | 116,215,585 |
| Prepayments and other current assets | | 50,638,111 | 34,337,592 |
| Due from related parties | 6-1 | 263,404 | 336,110 |
| Cash and cash equivalents | | 64,399,858 | 48,961,017 |
| Total current assets | | 258,784,186 | 203,852,861 |
| Total assets | | 2,178,195,833 | 2,127,592,135 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 7 | 420,872,150 | 420,872,150 |
| Share premium | | 276,786,861 | 276,786,861 |
| Statutory reserve | | 41,756,561 | 41,756,561 |
| Actuarial reserve | | (9,919,614) | (9,919,614) |
| Retained earnings | | 151,210,262 | 130,149,649 |
| Equity attributed to shareholders in the company | | 880,706,220 | 859,645,607 |
| Non-controlling interests | | 82,160,656 | 78,916,954 |
| Total equity | | 962,866,876 | 938,562,561 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities under right of use assets | | 495,407,858 | 503,346,927 |
| Borrowings | 8 | 338,974,494 | 367,920,761 |
| Deferred revenue of government grants | | 958,860 | 1,043,614 |
| Employees' post-employment benefits | | 60,786,228 | 60,261,770 |
| Total non-current liabilities | | 896,127,440 | 932,573,072 |
| Current liabilities | | | |
| Borrowing | 8 | 100,571,194 | 122,867,861 |
| Lease liabilities under right of use assets | | 47,256,891 | 54,799,655 |
| Advance revenue | | 124,975,122 | 26,958,505 |
| Trade payables | | 8,594,857 | 13,251,206 |
| Deferred revenue of government grants | | 384,153 | 399,199 |
| Accrued expenses and other current liabilities | | 28,139,084 | 30,024,394 |
| Due to related parties | 6-2 | 4,156,996 | 3,401,214 |
| Provision for Zakat | 9-2 | 5,123,220 | 4,754,468 |
| Total current liabilities | | 319,201,517 | 256,456,502 |
| Total liabilities | | 1,215,328,957 | 1,189,029,574 |
| Total equity and liabilities | | 2,178,195,833 | 2,127,592,135 |
| Contingent liabilities and capital commitments | 13 | - | - |

Chief Financial Officer

Adel Nader Desouky

Chief Executive Officer

Fahad bin Abdul-Aziz Al-Tuwaijri

Chairman of Board of Directors

Tariq bin Othman Al-Qasabi

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
For the three-month periods ended 31 October 2022
(Amounts in Saudi Riyals unless otherwise stated)

| | Note | For the three-month period ended 31 October | |
|--|------|--|--|
| | | 2022 (Unaudited) | 2021 Restated (note 16) (Unaudited) |
| Revenue | 14 | 167,787,485 | 138,187,952 |
| Revenue of government grants | 14 | 3,739,725 | 1,551,553 |
| Cost of revenue | 14 | (121,561,680) | (101,134,570) |
| Gross profit | | 49,965,530 | 38,604,935 |
| Marketing expenses | | (1,695,855) | (287,500) |
| General and administrative expenses | | (16,915,858) | (14,306,790) |
| provision for impairment accounts receivable | 5 | (1,768,273) | (3,077,607) |
| Gains from the acquisition of a subsidiary | 10 | - | 38,121,000 |
| Operating profit | | 29,585,544 | 59,054,038 |
| Other income | | 5,867,356 | 4,383,530 |
| Capital gains | | 47,971 | 171,316 |
| Finance costs | 11 | (10,434,556) | (8,909,199) |
| Net income for the period before zakat | | 25,066,315 | 54,699,685 |
| Zakat | 9-2 | (762,000) | (1,851,445) |
| Net income for the period | | 24,304,315 | 52,848,240 |
| Net income attributed to: | | | |
| Shareholders in the company | | 21,060,613 | 51,413,633 |
| Non-controlling interests | | 3,243,702 | 1,434,607 |
| | | 24,304,315 | 52,848,240 |
| Basic and diluted earnings per share: | | | |
| Basic and diluted earnings per share as per net income for the period attributable to the shareholders in the Company | 12 | 0,5 | 1,22 |



Chief Financial Officer
Adel Nader Desouky



Chief Executive Officer
Fahad bin Abdul-Aziz Al-Tuwaijri



Chairman of Board of Directors
Tariq bin Othman Al-Qasabi

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)**For the three-month period ended 31 October 2022**

(Amounts in Saudi Riyals unless otherwise stated)

| | For the three-month period ended 31 October | |
|--|--|---|
| | 2022 (Unaudited) | 2021 Restated (note16) (Unaudited) |
| Net income for the period | 24,304,315 | 52,848,240 |
| <u>Items that will not be reclassified subsequently to the statement of profit or loss:</u> | | |
| Actuarial gains on remeasurement of employees' post-employment benefits | - | - |
| Total comprehensive income for the period | 24,304,315 | 52,848,240 |
| Total comprehensive income for the period attributed to: | | |
| Shareholders in the company | 21,060,613 | 51,413,633 |
| Non-controlling interests | 3,243,702 | 1,434,607 |
| | 24,304,315 | 52,848,240 |



Chief Financial Officer
Adel Nader Desouky



Chief Executive Officer
Fahad bin Abdul-Aziz Al-Tuwaijri



Chairman of Board of Directors
Tariq bin Othman Al-Qasabi

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three-month period ended 31 October 2022
(Amounts in Saudi Riyals unless otherwise stated)

| | Share Capital | Share premium | Statutory reserve | Actuarial reserve | Retained earnings | Total equity attributed to shareholders in the company | Non-controlling interests | Total equity |
|---|--------------------|--------------------|-------------------|--------------------|--------------------|--|---------------------------|--------------------|
| For the three-month period ended 31 October 2021 | | | | | | | | |
| Balance as at 31 July 2021 (Audited) | 400,000,000 | 209,594,000 | 34,849,260 | (7,686,781) | 107,983,937 | 744,740,416 | 10,651,773 | 755,392,189 |
| Previous years adjustments (note 16) | - | - | (154,296) | - | (1,388,664) | (1,542,960) | - | (1,542,960) |
| Balance as at 31 July 2021 (Restated - Audited) | 400,000,000 | 209,594,000 | 34,694,964 | (7,686,781) | 106,595,273 | 743,197,456 | 10,651,773 | 753,849,229 |
| Transferred from acquired companies | - | - | - | - | - | - | 64,592,419 | 64,592,419 |
| Net income for the period - before adjustment | - | - | - | - | 66,252,209 | 66,252,209 | 1,434,607 | 67,686,816 |
| Previous years adjustments (note 16) | - | - | - | - | (14,838,576) | (14,838,576) | - | (14,838,576) |
| Net income for the period - after adjustment | - | - | - | - | 51,413,633 | 51,413,633 | 1,434,607 | 52,848,240 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | 51,413,633 | 51,413,633 | 1,434,607 | 52,848,240 |
| Issuance of shares | 20,872,150 | 71,140,432 | - | - | - | 92,012,582 | - | 92,012,582 |
| Shares issuance expenses | - | (3,947,571) | - | - | - | (3,947,571) | - | (3,947,571) |
| Balance as at 31 October 2021 (Restated - Unaudited) | 420,872,150 | 276,786,861 | 34,694,964 | (7,686,781) | 158,008,906 | 882,676,100 | 76,678,799 | 959,354,899 |
| For the three-month period ended 31 October 2022 | | | | | | | | |
| Balance as at 31 July 2022 (Audited) | 420,872,150 | 276,786,861 | 41,756,561 | (9,919,614) | 130,149,649 | 859,645,607 | 78,916,954 | 938,562,561 |
| Net income for the period | - | - | - | - | 21,060,613 | 21,060,613 | 3,243,702 | 24,304,315 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | 21,060,613 | 21,060,613 | 3,243,702 | 24,304,315 |
| Balance as at 31 October 2022 (Unaudited) | 420,872,150 | 276,786,861 | 41,756,561 | (9,919,614) | 151,210,262 | 880,706,220 | 82,160,656 | 962,866,876 |

Chief Financial Officer **Chief Executive Officer** **Chairman of Board of Directors**
Adel Nader Desouky Fahad bin Abdul-Aziz Al-Tuwajri Tariq bin Othman Al-Qasabi

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.




ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**For the three-month period ended 31 October 2022**

(Amounts in Saudi Riyals unless otherwise stated)

| | Note | For the three-month period ended 31 October | |
|--|------|--|--------------------------------|
| | | 2022 (Unaudited) | 2021 (Restated) (Unaudited) |
| Cash flows from operating activities | | | |
| Net income for the period before zakat | | 25,066,315 | 54,699,685 |
| Adjustments for: | | | |
| Depreciation of real estate, property and equipment | 14 | 7,247,779 | 6,097,624 |
| Depreciation of investment properties | | - | 83,765 |
| Amortization of intangible assets | | 743,950 | 756,516 |
| Depreciation of right-of-use assets | | 14,127,085 | 12,532,706 |
| Gains Capital | | (47,971) | (171,316) |
| provision for impairment of accounts receivable | 5 | 1,768,273 | 3,077,607 |
| Gains from acquisition of a subsidiary | 10 | - | (38,121,000) |
| Finance costs | 11 | 10,434,556 | 8,909,199 |
| Provision for Employees' post-employment benefits | | 3,664,841 | 2,676,445 |
| | | 63,004,828 | 50,541,231 |
| Changes in operating assets and liabilities | | | |
| Inventories | | (3,314,087) | 275,298 |
| Accounts receivables | | (21,718,857) | (15,157,519) |
| Prepayments and other current assets | | (16,300,519) | (2,579,542) |
| Due from related parties | | 72,706 | (379,562) |
| Advance revenue | | 98,016,617 | 47,567,062 |
| Trade payables | | (4,656,349) | 2,857,922 |
| Accrued expenses and other current liabilities | | (1,885,310) | (12,008,340) |
| Due to related parties | | 755,782 | 3,150,739 |
| Cash generated from operating activities | | 113,974,811 | 74,267,289 |
| Employees' post-employment benefits paid | | (3,140,383) | (3,556,686) |
| Zakat paid | 9-2 | (393,248) | (290,917) |
| Net cash generated from operating activities | | 110,441,180 | 70,419,686 |
| Cash flows from investing activities | | | |
| Additions to real estate, property and equipment and projects under progress | | (13,900,842) | (9,599,179) |
| Proceeds from sale of real estate, property and equipment | | 48,000 | 173,000 |
| Net cash flows from acquisition of subsidiary, net cash acquired | 16 | - | (195,011,759) |
| Net cash used in investing activities | | (13,852,842) | (204,437,938) |
| Cash flows from financing activities | | | |
| Lease liabilities paid | | (24,807,880) | (10,564,899) |
| Issuance of shares | 7 | - | 20,872,150 |
| Share premium, net | | - | 67,192,861 |
| Received from borrowing | 8-2 | 39,000,000 | 147,725,000 |
| Repaid to borrowing | | (92,322,945) | (24,452,117) |
| Finance cost paid | | (2,919,172) | (4,808,416) |
| Deferred revenue of government grant | | (99,800) | (114,267) |
| Net cash (used in) / generated from financing activities | | (81,149,497) | 195,850,312 |
| Net change in cash and cash equivalents | | 15,438,841 | 61,832,060 |
| Cash and cash equivalents at the beginning of the period | | 48,961,017 | 7,498,833 |
| Cash and cash equivalents at the end of the period | | 64,399,858 | 69,330,893 |
| Non-cash transactions | 15 | | |

Chief Financial Officer

Adel Nader Desouky

Chief Executive Officer

Fahad bin Abdul-Aziz Al-Tuwaijri

Chairman of Board of Directors

Tariq bin Othman Al-Qasabi

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 October 2022

(Amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Ataa Educational Company (the "Company") is a Saudi Joint Stock Company, incorporated under the Regulations of Companies laws in the Kingdom of Saudi Arabia and was registered in Riyadh as a Saudi Joint Stock Company under Commercial Registration No. 1010186435 dated 10 Rabi' al-Awwal 1424 H (corresponding to 11 May 2003), under the Ministerial Resolution No. (71/s) on 10 Rabi' al-Awwal 1431H (corresponding to 24 February 2010). On 29 Thul-Qi'dah 1440 H (corresponding to 31 July 2019) the Company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4292).

The company's main activity is to construct, own, manage, run and establish private and international schools (kindergarten, primary middle and secondary) for boys and girls (general and memorization), and colleges and universities inside and outside the Kingdom of Saudi Arabia. Establishing, managing and maintaining training centers, purchasing existing schools and educational and training facilities and developing them. Owning, managing and running educational and training institutes, owning and managing vocational training centers, establishing, owning and managing special education schools. The company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities.

The Company's head office is located at the following address:

P.O. Box 87527

Riyadh 11652

Kingdom of Saudi Arabia

In accordance with the Company, By-Laws the financial year of the Company commences on 1 August and ends at 31 July.

The accompanying interim condensed consolidated financial statement include the company's account and its branches and its subsidiaries as follows:

| <u>Branch name</u> | <u>CR No.</u> |
|---|----------------------|
| Al-Rowad Schools (Izdihar branch) | 1010362199 |
| Al-Rowad Schools (Al Rawabi branch) | 1010275978 |
| Al-Rowad Schools (Al Mansoura branch) | 1010397500 |
| Al-Rowad Private School, (Al Rawda branch) | 1010203258 |
| Al-Rowad School (Ishbilia branch) | 1010469726 |
| Rowad Ishbilia International School Ataa Company branch | 1010450854 |
| Al Fikr Private School | 1010192540 |
| Middle East International School | 1010192541 |
| New Middle East International School | 1010250798 |
| Modern Middle East International School | 1010352008 |
| Al Sulaymaniyah International Private School | 1010196919 |
| Ataa for Maintenance and Operation Company Branch | 1010452144 |

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the three-month period ended 31 October 2022**

(Amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS (CONTINUED)

subsidiaries with direct or indirect ownership (collectively referred to as the “Group”):

| <u>Subsidiary</u> | <u>Country of incorporation</u> | <u>Legal form</u> | Effective shareholding (Direct / Indirect) | |
|--|--|-----------------------------|---|---------------------|
| | | | 31 October 2022 | 31 July 2022 |
| Al Nokhbah Educational Company | Kingdom of Saudi Arabia | A limited liability company | 100% | 100% |
| Al Oruba International Company for Education Services | Kingdom of Saudi Arabia | A limited liability company | 100% | 100% |
| Al-Rowad Company for Supporting Services | Kingdom of Saudi Arabia | A limited liability company | 100% | 100% |
| Elm International Schools Company | Kingdom of Saudi Arabia | A limited liability company | 100% | 100% |
| Wasat National Training and Education Company | Kingdom of Saudi Arabia | A limited liability company | 52% | 52% |
| Arabian Education and Training Group Holding Company | Kingdom of Saudi Arabia | Closed joint stock company | 100% | 100% |
| Creative Development Company | Kingdom of Saudi Arabia | A limited liability company | 100% | 100% |
| Alfaisal International Academy Institutes Training Company | Kingdom of Saudi Arabia | A limited liability company | 100% | 100% |
| Amjad Qurtuba Educational Services Company | Kingdom of Saudi Arabia | A limited liability company | 100% | 100% |
| Nabaa Educational Company | Kingdom of Saudi Arabia | A limited liability company | 100% | 100% |
| Al-Alsun International Private Schools Company | Kingdom of Saudi Arabia | A limited liability company | 62,8% | 62,8% |
| Academic Company for Educational Services | Kingdom of Saudi Arabia | Closed joint stock company | 52,2% | 52,2% |
| Jasmine International Company | Kingdom of Saudi Arabia | A limited liability company | 49% | 49% |
| Jeel Al Majd International Private Schools Company | Kingdom of Saudi Arabia | A limited liability company | 45% | 45% |

2. BASIS OF PREPARATION AND MEASUREMENT**2-1 Statement of compliance**

The interim condensed consolidated financial statements has been prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”), and should be read in conjunction with the Group’s financial statements as at and for the year ending 31 July 2022, as it does not include all the information required to prepare a complete set of financial statements, yet it mentions the accounting policies and explanatory notes to explain the important events and transactions to understand the changes in the financial position of the group and its performance since the last annual financial statements of the group.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 October 2022

(Amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-1 Statement of compliance (Continued)

The results for the three-month period ended 31 October 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 July 2023.

2-2 Basis of consolidation

The interim consolidated financial statements include the financial statements of the Atta Educational company and its subsidiaries (collectively the “Group”) as disclosed within note (1). Accordingly, the financial statements comprise of the interim consolidated financial statements of the parent company and its subsidiaries as at 31 October 2022. Subsidiaries are entities which are controlled by the Group. 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 maintains less than the majority of 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 over voting holders of the investee
- Rights arising from other contractual arrangements
- The Groups voting rights and potential 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 its control the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date that the Group gains until the date the Group ceases to control over subsidiary.

Profit or loss and each component of consolidated comprehensive income are attributed to shareholders of the parent company of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full upon consolidation.

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

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

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 October 2022

(Amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-3 Basis of measurement

These consolidated financial statements have been prepared on historical cost basis except for employees' benefits obligations and the borrowing granted by the Ministry of Finance, as they are recognized at the present value of future obligation using the projected unit credit method.

2-4 Going Concern

As on 31 October 2022, the Group's current liabilities exceeded its current assets by 60,4 million SR, (31 July 2022: 52,6 million SR), which is mainly due to lease liability under right-of-use and borrowings amounting to 147,8 million SR. Despite the deficit in working capital, the Group has an operating cash flow of 110,44 million SR, which is an indication of the Group's ability to meet its obligations when they become due. The Group's management monitors cash management and analyzes liquidity risks extensively and is confident of its ability to close the gap. Accordingly, the accompanying condensed consolidated interim financial statements have been prepared on the basis of the going concern basis.

2-5 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group, all figure have been rounded off to nearest Saudi riyals unless otherwise mentioned.

2-6 Use of estimates and assumptions

The preparation of these interim condensed consolidated financial statements required management to make judgments, estimates and assumptions that affect the application of policies and reported amounts, liabilities, revenues, and expenses. Actual results may differ from these estimates.

The significant estimates made by management when applying the Company's accounting policies and the significant sources of estimation uncertainties were the same as those shown in the last annual financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the interim condensed consolidated financial statements are in line with the policies followed in preparing the annual consolidated financial statements of the Group for the year ended 31 July 2022.

3-1 New standards, amendment to on standards and interpretations

There are no new standards issued, however, a number of amendments to the standards are effective as of 1 January 2022, and the details of this were clarified in the annual financial statements for the year ended 31 July 2022. However, they have no material impact on the group's interim condensed consolidated financial statements.

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4. PROPERTY AND EQUIPMENT

- As at 31 October 2022, lands and buildings amounted to 390.9 million SR (31 July 2022 392.14 million SR) are pledged as collateral in exchange for obtaining borrowing facilities as shown in Note (8)

- As at 31 October 2022, projects under construction amounting 32,5 million SR (31 July 2022 :28,6 million SR) are represented in construction projects of an educational complex located in Izdihar district and building development works in educational complexes in Al-Wurud district, And the construction of the educational complex for Wasat National Training and Education Company in Al-Salam district, and the buildings of Al-Alsun International Private Schools and Al Faisal International Academy Institutes Training Company. It is expected that these projects will be completed by the end of 2023, and the estimated remaining cost for completion is 100.8 million SR.

5. ACCOUNTS RECEIVABLES

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|--|--|----------------------------------|
| Accounts receivables | 150,593,655 | 128,874,798 |
| Less: Provision for impairment in accounts receivables | (14,427,486) | (12,659,213) |
| | 136,166,169 | 116,215,585 |

Provision for impairment in accounts receivables as follows:

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|--|--|----------------------------------|
| Balance at the beginning of the period / year | 12,659,213 | 7,494,095 |
| Balance transferred from acquired companies | - | 40,052,544 |
| Charged during the period / year | 1,768,273 | 406,441 |
| Used during the period / year | - | (35,293,867) |
| Balance at the end of the period / year | 14,427,486 | 12,659,213 |

6. TRANSACTION AND BALANCES WITH RELATED PARTIES

Transactions with related parties represent the value of renting educational complexes expense on behalf, salaries, bonuses, compensation and allowances for board members, senior executives and senior management that took place during the period between the group and a shareholder, affiliate and partners in subsidiaries, and between the group, members of the board of directors, senior executives and senior management, and these transactions take place in the context of the Group's ordinary course of business and according to the same basis transactions with others. The most important transactions with related parties and the balances resulting from them are as follows:

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6. TRANSACTION AND BALANCES WITH RELATED PARTIES (CONTINUED)

| | Nature of Relationship | Nature of Transaction | Volume of transaction | |
|-------------------------------------|-------------------------------|------------------------------|--|--|
| | | | 31 October 2022 (unaudited) | 31 October 2021 (unaudited) |
| Dr. Ahmed Nasser Almutib | Shareholder and BOD member | Rents | 3,768,932 | 3,127,333 |
| Leadership Academy Company | Affiliate | Expenses on behalf | 200,000 | 64,050 |
| El-shrouk Pioneer Academy | Affiliate | Expenses on behalf | 79,230 | - |
| Hayat Al-Shahrani | Partner in subsidiary | Expenses on behalf | 63,404 | 113,725 |
| Fawzia Al Hagbani | Partner in subsidiary | Expenses on behalf | 63,404 | 113,725 |
| Ahmed Abdulrahman Al Taweel | Partner in subsidiary | Expenses on behalf | 58,235 | - |
| Labinat Development Holding Company | Affiliate | Expenses on behalf | 15,000 | 50,000 |
| Nabaa Educational Company | subsidiary | Expenses on behalf | - | 220,270 |
| Hamad Al-Shenafi | Partner in subsidiary | Expenses on behalf | - | 162,193 |

6-1 Due from related parties

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|----------------------------|--|-----------------------------------|
| Leadership Academy Company | 200,000 | - |
| Hayat Al-Shahrani | 63,404 | 336,110 |
| | 263,404 | 336,110 |

6-2 Due to related parties

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|-------------------------------------|--|-----------------------------------|
| Dr. Ahmed Nasser Almutib | 1,729,739 | 874,558 |
| El-shrouk Pioneer Academy | 1,685,560 | 1,764,790 |
| Labinat Development Holding Company | 649,300 | 664,300 |
| Dr. Ahmed Abdulrahman Al Taweel | 58,235 | - |
| Fawzia Al Hagbani | 34,162 | 97,566 |
| | 4,156,996 | 3,401,214 |

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6. TRANSACTION AND BALANCES WITH RELATED PARTIES (CONTINUED)**6-3 Benefits, remunerations and compensations for senior management and senior executives**

| | For the three-month period ended 31 October 2022 (unaudited) | | For the three-month period ended 31 October 2022 (unaudited) | |
|---|---|----------------------------------|---|----------------------------------|
| | BOD and committees' members | Senior management personal | BOD and committees' members | Senior management personal |
| Benefits and allowance | 610,000 | - | 608,500 | - |
| Salaries, remunerations and end of service benefits | - | 1,767,108 | - | 1,410,899 |
| | <u>610,000</u> | <u>1,767,108</u> | <u>608,500</u> | <u>1,410,899</u> |

7. SHARE CAPITAL

The Company's authorized and paid capital is 420.87 million SR as at 31 October 2022 (31 July 2022: 420.87 million SR) divided into 42,087,215 shares (31 July 2022: 42,087,215 shares) with the value of 10 Saudi Riyals per share.

8. BORROWINGS

Borrowings are presented as follow:

8-1 Borrowing from Ministry of Finance

The Group obtained long-term loans from the Ministry of Finance in the amount of 19,03 million SR to finance the contracting and construction works necessary for the construction of the educational complex in Mansoura district. The facility is repaid in ten annual installments after the grace period which is estimated as four years from the signing date of the agreement. The last installment is due on 10 June, 2028. This facility was granted without a profit margin or commission.

Collaterals

These facilities are secured by pledging the land of the staff accommodation villa located in Al Rawabi and the land located in Al Salam neighbourhood for a total amount of 21,29 million SR (31 July 2022: 21.29 million SR) Note (4).

The following is a statement of the movement of borrowing granted by the Ministry of Finance during the period / year:

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|---|--------------------------------|---------------------------|
| Balance at the beginning of the period / year | 11,422,800 | 13,326,600 |
| Balance transferred from acquired companies | - | 3,097,980 |
| Paid during the period / year | (1,903,800) | (5,001,780) |
| Balance at the end of the period / year | <u>9,519,000</u> | <u>11,422,800</u> |

The following is a statement of the present value of borrowing granted by the Ministry of Finance:

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|--|--------------------------------|---------------------------|
| Borrowing at the end of the period / year | 9,519,000 | 11,422,800 |
| <u>Less: deferred financing expenses</u> | | |
| Balance at the beginning of the period / year | (1,442,813) | (1,899,881) |
| Balance transferred from acquired companies | - | (59,576) |
| Finance expenses for the period / year | 99,800 | 516,644 |
| Balance at the end of the period / year | <u>(1,343,013)</u> | <u>(1,442,813)</u> |
| Present value for borrowing end of the period / year | <u>8,175,987</u> | <u>9,979,987</u> |

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8. BORROWINGS (CONTINUED)**8-2 Borrowing granted from local banks**

The Group has signed facility agreements compatible with Shariah regulations with several local banks in the form of Islamic Murabaha's with a total amount of 950,9 million SR, these facilities were granted at a profit margin and commission on the facilities determined at the rate of return on internal borrowing between Saudi banks SAIBOR plus a fixed percentage. These facilities are secured by land and real estate amounting to 369,61 million SR (31 July 2022: 370,85 million SR) note (4) and (14) promissory notes amounting to 884,09 million SR. The agreements with banks contain bank covenants and these covenants are monitored on a monthly basis by the management. In the event of a breach or possible breach of these covenants, measures are taken by the management to ensure that these covenants are fulfilled.

The following is a statement of the movement of borrowing granted by local banks :

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|--|--|----------------------------------|
| Balance at the beginning of the period / year | 480,808,635 | 192,776,819 |
| Balance transferred from acquired companies | - | 124,649,226 |
| Finance gained during the period / year | 39,000,000 | 380,025,000 |
| Accrued finance expenses | 4,899,083 | 17,212,765 |
| Paid during the period / year | (93,338,017) | (233,855,175) |
| Total borrowing from local banks at end of the period / year | 431,369,701 | 480,808,635 |

Details of borrowings were presented in the interim consolidated statement of financial position as follows:

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|------------------------------------|--|----------------------------------|
| Non-current portion of borrowing * | 338,974,494 | 367,920,761 |
| Current portion of borrowing* | 100,571,194 | 122,867,861 |
| | 439,545,688 | 490,788,622 |

*Include a borrowing from Ministry of Finance (note 8-1)

9. ZAKAT PROVISION**9-1 Zakat status**

The Group submitted their declarations to the Zakat, Tax and Customs Authority until the year ended 31 July 2021 and obtained a certificate from the Authority valid until 6 Jumada Alawwal 1444H corresponding to 30 November 2022. and the Zakat declaration was not submitted for the year ending on 31 July 2022 Until the date of issuance of the interim condensed consolidated financial statements for the period ending 31 October 2022.

9-2 Zakat provision movement

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|---|--|----------------------------------|
| Balance at the beginning of the period / year | 4,754,468 | 1,592,679 |
| Balance transferred from acquired companies | - | 3,895,797 |
| Charged during the period / year | 762,000 | 1,494,503 |
| Paid during the period / year | (393,248) | (2,228,511) |
| Balance at end of the period / year | 5,123,220 | 4,754,468 |

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10. GAINS FROM ACQUIRING A SUBSIDIARY

On 8 August 2021, Ataa Educational Company acquired the Arab Group for Education and Training Holding Company (the “Company”) and its subsidiaries as of 1 August 2021. The acquisition resulted in a gain of 52,5 million SAR, which represents the difference between the net assets of the Arab Group Company Education and Training Holding Company (the “acquired”) and the purchase value on the date of acquisition.

During the fiscal year 2021/2022, the purchase price allocation was implemented by an independent evaluator, which resulted in land and building valuation differences of 77.64 million Saudi riyals, and accordingly, the gains resulting from the acquisition were retroactively modified on the balances of 31 October 2021 to become 38,121 million Saudi riyals (Note 16).

11. FINANCE COSTS

| | 31 October 2022 (unaudited) | 31 October 2021 (unaudited) |
|--|--|---------------------------------------|
| Interest on right-of-use assets liabilities | 5,435,673 | 5,598,980 |
| Finance costs – borrowings from local banks (note 8-2) | 4,899,083 | 3,195,952 |
| Ministry of Finance loan financing costs (note 8-1) | 99,800 | 114,267 |
| | 10,434,556 | 8,909,199 |

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing income for the period attributable to the Company’s ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as basic earnings per share as the Parent Company has no diluted instruments.

| | 31 October 2022 (unaudited) | 31 October 2021 (Restated) (unaudited) |
|-----------------------------------|--|--|
| Income of year | 21,060,613 | 51,413,633 |
| Weighted average number of shares | 42,087,215 | 42,087,215 |
| | 0,5 | 1,22 |

13. CONTINGENT LIABILITES AND CAPITAL COMMITMENTS

| | 31 October 2022 (unaudited) | 31 July 2022 (audited) |
|---|--|----------------------------------|
| Letters of guarantee - not covered | 5,700,000 | - |
| Suppliers | 2,338,894 | 4,677,788 |
| Capital commitments – projects under progress | 2,214,115 | 2,214,115 |
| | 10,253,009 | 6,891,903 |

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14. SEGMENT REPORTING

The group's main activity is the establishment of private and international schools, kindergartens, primary, intermediate, and secondary for boys and girls in the Riyadh region, mediating the employment of Saudis, recruitment agencies via the Internet, the activities of temporary employment agencies for expatriate labour services, providing other human resources, owning, managing, operating and establishing institutes Training and higher training institutes. Information related to the Group's operating segments is set out below that is regularly submitted to the Group's operating decision-makers and is described as follows:

- Education sector: this sector specializes in establishing and managing private schools, international, French and Indian schools.
- Training sector: this sector is concerned with establishing and operating training institutes.
- Employment sector: this sector specializes in mediating the recruitment of Saudian and recruitment agencies via the Internet.

| | 31 October 2022 (unaudited) | | | |
|---|---|----------------------------|------------------------------|----------------------|
| | Educational sector | Training sector | Employment sector | Total |
| Revenue | 154,589,954 | 13,077,409 | 120,122 | 167,787,485 |
| Government grants | 2,379,283 | - | 1,360,442 | 3,739,725 |
| Cost of revenue | (101,712,723) | (10,577,577) | (9,271,380) | (121,561,680) |
| Gross profit | 55,256,514 | 2,499,832 | (7,790,816) | 49,965,530 |
| Real estate, property and equipment | 769,840,211 | 36,267,494 | 5,287,335 | 811,395,040 |
| Depreciation Real estate, property and equipment | 6,450,027 | 444,447 | 353,305 | 7,247,779 |
| | 31 October 2021 (Restated) (unaudited) | | | |
| | Educational sector | Training sector | Employment sector | Total |
| Revenue | 118,014,399 | 8,101,422 | 12,072,131 | 138,187,952 |
| Revenue of government grants | 699,000 | 128,265 | 724,288 | 1,551,553 |
| Cost of revenue | (82,512,830) | (6,498,400) | (12,123,340) | (101,134,570) |
| Gross profit | 36,200,569 | 1,731,287 | 673,079 | 38,604,935 |
| Real estate, property and equipment | 708,515,426 | 34,777,884 | 7,261,072 | 750,554,382 |
| Depreciation Real estate, property and equipment | 5,073,090 | 457,439 | 567,095 | 6,097,624 |

- Due to the nature of the Group's activity and its management structure, it is not practically possible to allocate items of assets and other liabilities to different operating segments.

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14. SEGMENT REPORTING (CONTINUED)**Reconciliation of information on reportable segments to the Group's net income before Zakat:**

| | 31 October 2022 (unaudited) | 31 October 2021 (Restated) (unaudited) |
|--|--|---|
| Gross profit from reported segment | 49,965,530 | 38,604,935 |
| Unallocated amount: | | |
| Marketing expenses | (1,695,855) | (287,500) |
| General and administrative expenses | (16,915,858) | (14,306,790) |
| provision for impairment of accounts receivable (note 5) | (1,768,273) | (3,077,607) |
| Gains from the acquisition of a subsidiary (note 10) | - | 38,121,000 |
| Other income | 5,867,356 | 4,383,530 |
| Capital gains | 47,971 | 171,316 |
| Finance costs (note11) | (10,434,556) | (8,909,199) |
| Total unallocated amount | (24,899,215) | 16,094,750 |
| Income before Zakat | 25,066,315 | 54,699,685 |

| | 31 October 2022 (unaudited) | | | |
|---------------------------------------|------------------------------------|----------------------------|------------------------------|--------------------|
| | Educational sector | Training sector | Employment sector | Total |
| Timing of Revenue Recognition: | | | | |
| At point in time | - | 13,077,409 | 120,122 | 13,197,531 |
| At period over time | 154,589,954 | - | - | 154,589,954 |
| Total revenue | 154,589,954 | 13,077,409 | 120,122 | 167,787,485 |

| | 31 October 2021 (Restated) (unaudited) | | | |
|---------------------------------------|--|--------------------|----------------------|--------------------|
| | Educational sector | Training sector | Employment sector | Total |
| Timing of Revenue Recognition: | | | | |
| At point in time | - | 8,101,422 | 12,072,131 | 20,173,553 |
| At period over time | 118,014,399 | - | - | 118,014,399 |
| Total revenue | 118,014,399 | 8,101,422 | 12,072,131 | 138,187,952 |

15. NON-CASH TRANSACTIONS

| | 31 October 2022 (unaudited) | 31 October 2021 (unaudited) |
|---|--|--------------------------------|
| Additions to right of use assets against lease liabilities | 3,890,374 | 788,369 |
| Disposals of projects under progress against Trade payables | - | 41,159 |

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16. RECLASSIFICATION AND ADJUSTMENTS FOR PREVIOUS PERIODS

The following are the reclassifications and adjustments to the opening balances, as follows:

(1) Interim consolidated statement of financial position as at 31 October 2021

| <u>Item name</u> | <u>Balance before adjustment</u> | <u>reclassify debit /(credit)</u> | <u>Settlements Debit/(credit)</u> | <u>Balance after adjustment</u> | <u>Comment</u> |
|--------------------------------------|---|--|--|--|---|
| Share capital | (400,000,000) | - | (20,872,150) | (420,872,150) | It is the issuance of 2,872,150 shares for the benefit of the partners in Nabaa Educational Company, its issuance premium and the related expenses of issuing new shares. |
| Share premium | (209,594,000) | - | (67,192,861) | (276,786,861) | |
| Real estate, property and equipment | 672,916,561 | - | 77,559,744 | 750,476,305 | The value of the net assessment difference for the acquisition of the Arab Group. |
| intangible assets | 555,309,058 | - | (1,928,698) | 553,380,360 | The value of the accumulated depreciation of the student list for the year 2020, and the three-month period ending on 31, October 2021. |
| Prepayments and other current assets | 45,835,862 | - | (3,947,571) | 41,888,291 | The value of expenses related to the issuance of shares for the capital increase. |
| Retained earnings | (174,236,146) | - | 16,227,240 | (158,008,906) | It is represented in the depreciation of the student list, the depreciation of the building evaluation difference for the period, and the recalculation of the gains resulting from the acquisition of a subsidiary as a result of the implementation of the purchase price allocation from an independent evaluator. |
| Statutory reserve | (34,849,260) | - | 154,296 | (34,694,964) | |

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16. RECLASSIFICATION AND ADJUSTMENTS FOR PREVIOUS PERIODS (CONTINUED)**(2) Interim consolidated profit or loss statement For the three-month period 31 October 2021**

| <u>Item name</u> | <u>Balance before adjustment</u> | <u>reclassify debit /(credit)</u> | <u>Settlements Debit/(credit)</u> | <u>Balance after adjustment</u> | <u>Comment</u> |
|--|---|--|--|--|--|
| marketing expenses | - | 287,500 | - | 287,500 | Marketing expenses have been reclassified as a separate line in the interim consolidated statement of profit or loss |
| General and administrative expenses | 14,594,290 | (287,500) | - | 14,306,790 | |
| Gains resulting from the acquisition of a subsidiary | (52,495,759) | - | 14,374,759 | (38,121,000) | Reducing acquisition gains as a result of implementing purchase price allocation |
| Revenue | (140,427,680) | 2,239,728 | - | (138,187,952) | Capital gains and Government grants have been reclassified as a separate line item in the Interim consolidated statement of profit or loss, some other revenues have been reclassified to activity revenues. |
| Government grants | - | (1,551,553) | - | (1,551,553) | |
| Other income | (3,866,671) | (516,859) | - | (4,383,530) | |
| Capital gains | - | (171,316) | - | (171,316) | |
| Cost of revenue | 100,670,753 | - | 463,817 | 101,134,570 | Is the amortization value of the period for the student list and the depreciation of the building evaluation difference resulting from the implementation of the purchase price reduction. |

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16. RECLASSIFICATION AND ADJUSTMENTS FOR PREVIOUS PERIODS (CONTINUED)**(3) consolidated statement of financial position as at 31 July 2021**

| <u>Item name</u> | <u>Balance before adjustment</u> | <u>reclassify debit /(credit)</u> | <u>Settlements Debit/(credit)</u> | <u>Balance after adjustment</u> | <u>Comment</u> |
|--------------------------|---|--|--|--|---|
| intangible assets | | | | | |
| Statutory reserve | (34,849,260) | - | 154,296 | (34,694,964) | It is the value of the year's amortization for the list of students and its effect on retained earnings and statutory reserve |
| Retained earnings | (107,983,937) | - | 1,388,664 | (106,595,273) | |

(4) consolidated profit or loss statement For the year ended 31 July 2021

| <u>Item name</u> | <u>Balance before adjustment</u> | <u>reclassify debit /(credit)</u> | <u>Settlements Debit/(credit)</u> | <u>Balance after adjustment</u> | <u>Comment</u> |
|-------------------------|---|--|--|--|--|
| Cost of revenue | 204,675,501 | - | 1,542,960 | 206,218,461 | Is the amortization value of the year for the student list |

17. SUBSEQUENT EVENTS

Management believes that there are no significant subsequent events since the end of the financial period that may require disclosure or amendment of these interim condensed consolidated financial statements.

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group's interim condensed consolidated financial statements for the period ended 31 October 2022 by the Audit committee under an authorization of the Board of Directors on 5 Jumada Alawal 1444H corresponding 29 November 2022.