



ATAA EDUCATIONAL COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2023
Together with the Independent Auditor's Report

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT**

For the year ended 31 July 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
A SAUDI JOINT STOCK COMPANY

(1 /6)

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ataa Educational Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at July 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the group, which comprise of the following:

- The consolidated statement of financial position as at July 31, 2023;
- The consolidated statements of profit or loss for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, including a summary of significant accounting policies and another explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's* Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent from the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
A SAUDI JOINT STOCK COMPANY

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RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matter
1- Revenue Recognition	
<p>The Group's revenues for the year ended July 31, 2023 amounting to Saudi Riyals 666 million and government grants amounting to Saudi Riyals 14,3 million.</p> <p>Revenue is one of the essential indicators to measure performance, and this entails the existence of inherent risks in the process of recognizing revenue.</p> <p>Revenue is recognized from educational, training, recruitment and bus subscriptions services as in note (٢١).</p> <p>Given the significant value of revenue recorded as well as the inherent risks in the revenue recognition process, revenue recognition was considered as a key audit matter.</p> <p>Please refer to the summary of accounting policies relating to the revenue recognition, as in note (3-20) and revenue-related disclosures as in note (٢١-٣٢).</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> ▀ Assessing of the appropriateness of the Group's revenue recognition policy based on IFRS 15 "Revenue from contracts with customers". ▀ Evaluation of the design and implementation of the internal control systems related to management procedures over revenue recognition, discounts and government grants. ▀ Testing on a sample basis of the revenue transactions, recorded government grants and discounts grants to students and comparing them with the supporting documents to verify the recorded revenue. ▀ Perform substantive analytical procedure on tuition fees revenues based on the number of students and approved fee for the educational process to assess the reasonableness of the revenue amount. ▀ Inquires with management representatives and those charged with governance regarding their awareness of fraud risks and whether there were actual instances of fraud. ▀ We assessed the adequacy of disclosures used in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
A SAUDI JOINT STOCK COMPANY

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RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matter
2- Goodwill impairment assessment	
<p>The consolidated financial statements include goodwill amounting to Saudi Riyals 574,2 million as at July 31, 2023, which represents the excess of the value of the merged and acquired companies over the net assets transferred to the Group.</p> <p>The management performed a goodwill assessment by comparing the carrying amount of each cash-generating unit ("CGU") including goodwill, against its recoverable amount based on value-in-use ("VIU") calculations, using discounted cash flow model through the use of cash flow projections based on financial budgets approved by management covering a period of five years and ten years.</p> <p>Based on management's assessment of impairment, there is no impairment of goodwill.</p> <p>The Group's VIU calculation used in the goodwill impairment assessment includes significant judgments, assumptions and estimates from management regarding cash flow projections, long-term growth rates and discount rates, and is highly sensitive to changes in these assumptions, and, thus was considered as a key audit matter.</p> <p>Please refer to the summary of significant accounting policies No. (3-5-4) for the policy of goodwill and note No. (6) that includes disclosures related to goodwill and impairment assessment of goodwill.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> ■ We analyzed the identification of the different CGU and assessed whether these were in line with our understanding of the business and consistent with the internal reporting in the entity. Furthermore, we assessed the reasonableness of allocation of the goodwill to each identified CGU. ■ Evaluation of the design and implementation of the internal control relating to goodwill impairment assessment. ■ We involved our experts to assess the reasonableness of the VIU calculations and the key assumptions, including cash flow projections, discount rates used. ■ We tested the input data used in the VIU calculation on a sample basis and reviewed the mathematical accuracy of the calculation, we also compared key assumptions with previous actual results. ■ We assessed the adequacy of disclosures used in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
A SAUDI JOINT STOCK COMPANY

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RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OTHER INFORMATION

The other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and the auditor's report thereon. Management is responsible for the other information in the annual report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
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(5 /6)

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
A SAUDI JOINT STOCK COMPANY

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RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Al-Bassam & Co.



Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

Riyadh: 18 Rabie Althanie 1445H
Corresponding to: 2 November 2023



ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As of 31 July 2023**

(All amounts in SAR unless otherwise stated)

	<u>Note</u>	<u>31 July 2023</u>	<u>31 July 2022</u> (Restated Note 36-1)
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	835,533,585	804,742,006
Intangible assets	6	600,273,444	603,296,261
Right-of-use assets	7	483,702,977	497,472,930
Total Non-Current Assets		<u>1,919,510,006</u>	<u>1,905,511,197</u>
Current Assets			
Inventory		6,406,743	4,002,557
Accounts receivable	8	106,941,635	116,215,585
Prepaid expenses and other current assets	9	49,218,978	34,337,592
Due from related party	10-1	-	336,110
Cash and cash equivalents	11	39,493,187	48,961,017
Total Current Assets		<u>202,060,543</u>	<u>203,852,861</u>
TOTAL ASSETS		<u>2,121,570,549</u>	<u>2,109,364,058</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	420,872,150	420,872,150
Share premium	12-1	276,786,861	276,786,861
Statutory reserve	13	48,535,163	41,756,561
Actuarial reserve		(12,175,112)	(9,919,614)
Retained earnings		90,871,266	130,149,649
Equity Attributable to Shareholders of the Company		<u>824,890,328</u>	<u>859,645,607</u>
Non-Controlling Interest		60,045,665	60,688,877
TOTAL EQUITY		<u>884,935,993</u>	<u>920,334,484</u>
LIABILITIES			
Non-Current Liabilities			
Lease liabilities	7	506,703,566	503,346,927
Borrowings	15	322,847,821	367,920,761
Deferred government subsidy income	16	704,599	1,043,614
Employee end-of-service benefits	17-2	59,526,191	60,261,770
Total Non-Current Liabilities		<u>889,782,177</u>	<u>932,573,072</u>
Current Liabilities			
Borrowings	15	174,276,298	122,867,861
Lease liabilities	7	42,220,891	54,799,655
Unearned revenue	18	36,084,127	26,958,505
Trade payables		16,306,260	13,251,206
Deferred government subsidy income	16	339,014	399,199
Accrued expenses and other current liabilities	19	72,480,431	30,024,394
Due to related parties	10-2	786,479	3,401,214
Zakat provision	20-2	4,358,879	4,754,468
Total Current Liabilities		<u>346,852,379</u>	<u>256,456,502</u>
TOTAL LIABILITIES		<u>1,236,634,556</u>	<u>1,189,029,574</u>
TOTAL EQUITY AND LIABILITIES		<u>2,121,570,549</u>	<u>2,109,364,058</u>
Contingencies and capital commitments	30		

Chief Financial Officer

Adel Nader Desouki

Chief Executive Officer

Fahd bin Abdulaziz Al-Tuwaijri

Chairman

Tariq bin Othman Al-Qasabi

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements

ATAA EDUCATIONAL COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 July 2023
(All amounts in SAR unless otherwise stated)

	<u>Note</u>	<u>31 July 2023</u>	<u>31 July 2022</u> (Note 36-2)
Revenue	21/32	666,041,507	577,493,411
Government subsidy income	22/32	14,315,295	14,829,070
Cost of revenue	23/32	<u>(485,117,835)</u>	<u>(458,701,463)</u>
Gross profit		195,238,967	133,621,018
Marketing expenses	24	(8,452,728)	(3,164,605)
General and administrative expenses	25	(74,370,746)	(62,195,049)
Provision for impairment of accounts receivable, prepaid expenses and other current assets	8/9	(5,665,247)	(1,060,884)
Gains on the subsidiary acquisition	26	-	38,121,000
Operating income		106,750,246	105,321,480
Other income	27	22,175,818	16,491,821
Capital losses		(860,666)	(3,595,400)
Finance costs	28	(55,867,694)	(42,667,136)
Net income for the year before zakat		72,197,704	75,550,765
Zakat	20-2	(2,791,088)	(1,494,503)
Net income for the year		69,406,616	74,056,262
Net income for the year attributable to:			
Shareholders of the Company		67,786,016	70,615,973
Non-Controlling Interest		1,620,600	3,440,289
		69,406,616	74,056,262
Basic and diluted earnings per share:			
Basic and diluted earnings per share as per net income for the year attributable to Shareholders of the Company	29	1.61	1.68

Chief Financial Officer
Adel Nader Desouki



Chief Executive Officer
Fahd bin Abdulaziz Al-Tuwaijri



Chairman
Tariq bin Othman Al-Qasabi



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ATAA EDUCATIONAL COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 July 2023
(All amounts in SAR unless otherwise stated)

	<u>Note</u>	<u>31 July 2023</u>	<u>31 July 2022</u>
Net income for the year		69,406,616	74,056,262
<u>Items that will not be reclassified subsequently to statement of profit or loss:</u>			
Actuarial (losses) on re-measurement of employee end-of-service benefits	17-2	<u>(2,191,892)</u>	<u>(2,000,360)</u>
Total comprehensive income for the year		<u>67,214,724</u>	<u>72,055,902</u>
Total comprehensive income for the year attributable to:			
Shareholders of the Company		65,530,518	68,383,140
Non-Controlling Interest		<u>1,684,206</u>	<u>3,672,762</u>
		<u>67,214,724</u>	<u>72,055,902</u>

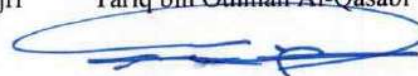
Chief Financial Officer
Adel Nader Desouki



Chief Executive Officer
Fahd bin Abdulaziz Al-Tuwaijri



Chairman
Tariq bin Othman Al-Qasabi



The accompanying notes 1 to 38 form an integral part of these consolidated financial statements

ATAA EDUCATIONAL COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 July 2023
(All amounts in SAR unless otherwise stated)

	Share Capital	Share Premium	Statutory Reserve	Actuarial Reserve	Retained Earnings	Equity Attributable to Shareholders of the Company	Non-Controlling Interest	Total Equity
Balance as of 1 August 2021	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 acquirees (Note 34 - Restated)	-	-	-	-	-	-	46,364,342	46,364,342
Net income for the year	-	-	-	-	70,615,973	70,615,973	3,440,289	74,056,262
Other comprehensive (loss) / income	-	-	-	(2,232,833)	-	(2,232,833)	232,473	(2,000,360)
Total comprehensive income	-	-	-	(2,232,833)	70,615,973	68,383,140	3,672,762	72,055,902
Dividends (Note 14)	-	-	-	-	(40,000,000)	(40,000,000)	-	(40,000,000)
Stock issuance (Note 12-1)	20,872,150	71,140,432	-	-	-	92,012,582	-	92,012,582
Cost of stock issuance (Note 12)	-	(3,947,571)	-	-	-	(3,947,571)	-	(3,947,571)
Transferred to statutory reserve	-	-	7,061,597	-	(7,061,597)	-	-	-
Balance as of 31 July 2022	420,872,150	276,786,861	41,756,561	(9,919,614)	130,149,649	859,645,607	60,688,877	920,334,484
Net income for the year	-	-	-	-	67,786,016	67,786,016	1,620,600	69,406,616
Other comprehensive loss	-	-	-	(2,255,498)	-	(2,255,498)	63,606	(2,191,892)
Total comprehensive income	-	-	-	(2,255,498)	67,786,016	65,530,518	1,684,206	67,214,724
Acquisition of non-controlling interest of subsidiaries (Note 35)	-	-	-	-	(58,198,582)	(58,198,582)	(2,327,418)	(60,526,000)
Dividends (Note 14)	-	-	-	-	(42,087,215)	(42,087,215)	-	(42,087,215)
Transferred to statutory reserve	-	-	6,778,602	-	(6,778,602)	-	-	-
Balance as of 31 July 2023	420,872,150	276,786,861	48,535,163	(12,175,112)	90,871,266	824,890,328	60,045,665	884,935,993

Chief Financial Officer

Adel Nader Desouki



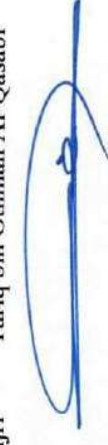
Chief Executive Officer

Fahd bin Abdulaziz Al-Tuwajri



Chairman

Tariq bin Othman Al-Qasabi



The accompanying notes 1 to 38 form an integral part of these consolidated financial statements

ATAA EDUCATIONAL COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 July 2023
(All amounts in SAR unless otherwise stated)

	Note	31 July 2023	31 July 2022 (Note 36-3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before Zakat		72,197,704	75,550,765
Adjustments for:			
Depreciation of property, plant and equipment	5/32	28,266,110	26,207,256
Amortization of intangible assets	6	3,022,817	3,023,096
Depreciation of right-of-use assets	7	53,883,470	55,023,742
Modification losses on lease liabilities	23/27	357,804	689,159
Gains on derecognition of lease liabilities	27	(2,204,880)	-
Provision for impairment of accounts receivable and other receivables	8/9	5,665,247	1,060,884
Finance costs	28	55,867,694	42,667,136
Current service cost of employee end-of-service benefits	17-2	7,364,810	10,189,659
Gains on the subsidiary acquisition	26	-	(38,121,000)
Provision for slow-moving inventory	23	-	135,554
Capital losses		860,666	3,595,400
		<u>225,281,442</u>	<u>180,021,651</u>
Changes in operating assets and liabilities:			
Inventory		(2,404,186)	978,832
Accounts receivable		4,934,706	(30,339,971)
Prepaid expenses and other current assets		(16,207,389)	4,569,318
Due from related party		336,110	(287,485)
Unearned revenue		9,125,622	13,009,112
Trade payables		3,055,054	3,027,355
Accrued expenses and other current liabilities		42,456,037	(4,864,690)
Due to related parties		(2,614,735)	59,702
Cash generated from operating activities		<u>263,962,661</u>	<u>166,173,824</u>
End-of-service benefits paid	17-2	(12,465,490)	(9,883,303)
Zakat paid	20-2	(3,186,677)	(2,228,511)
Net cash generated from operating activities		<u>248,310,494</u>	<u>154,062,010</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property, plant, equipment and projects under construction	5	(61,953,229)	(46,314,119)
Proceeds from disposal of property, plant and equipment		2,034,874	422,164
Payments for the acquisition of non-controlling interest of subsidiaries		(60,526,000)	-
Net cash flows generated from the acquisition of subsidiaries; net of cash acquired	34	-	(195,011,759)
Net cash used in investing activities		<u>(120,444,355)</u>	<u>(240,903,714)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities paid	7	(72,602,986)	(60,412,524)
Capital increase for stock issuance	12-1	-	20,872,150
Share premium, net	12-1	-	67,192,861
Dividends Paid	14	(42,087,215)	(40,000,000)
Borrowings Received	15-2	393,698,750	380,025,000
Borrowings paid		(407,878,055)	(232,771,486)
Finance costs paid		(8,065,263)	(6,085,469)
Deferred government subsidy income	16	(399,200)	(516,644)
Net cash (used in) / generated from financing activities		<u>(137,333,969)</u>	<u>128,303,888</u>
Net Change in cash and cash equivalents		<u>(9,467,830)</u>	<u>41,462,184</u>
Cash and cash equivalents at beginning of the year	11	<u>48,961,017</u>	<u>7,498,833</u>
Cash and cash equivalents at end of the year	11	<u>39,493,187</u>	<u>48,961,017</u>
Non-Cash Transactions	33		

Chief Financial Officer

Adel Nader Desouki

Chief Executive Officer

Fahd bin Abdulaziz Al-Tuwaijri

Chairman

Tariq bin Othman Al-Qasabi

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2023

(All amounts in SAR unless otherwise stated)

1. LEGAL STATUS AND ACTIVITIES

Ataa Educational Company (the “Company”) is a Saudi Joint Stock Company, incorporated under the Regulations for Companies in the Kingdom of Saudi Arabia and was registered in Riyadh under Commercial Registration No. 1010186435 dated 10 Rabi’ I 1424 AH corresponding to 11 May 2003, as Saudi Joint Stock Company under the Ministerial Resolution No. (71/s) on 10 Rabi’ I 1431 AH corresponding to 24 February 2010.

On 29 Thul-Qi’dah 1440 AH corresponding to 31 July 2019, the Company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4292). Trading of the Company's shares in Saudi Stock Exchange commenced on 31 July 2019 after obtaining the approval of the Capital Market Authority in Kingdom of Saudi Arabia.

The Company is principally engaged in the establishment of private and international schools, kindergarten, primary, intermediate and secondary schools for boys and girls (general and memorization), colleges and universities in Kingdom of Saudi Arabia and abroad, establishing, managing and maintaining training centers purchasing existing schools and educational and training facilities, and developing and managing them owning, managing and operating educational and training institutes, owning and managing vocational training centers, and establishing, owning and managing private educational schools. The Company operates in accordance with the applicable regulations and after obtaining the necessary licenses from the relevant authorities.

The Company's head office is located as follows:

P.O. Box 87527

Riyadh 11652

Kingdom of Saudi Arabia

The Company’s financial year commences on 1 August and ends on 31 July of each year in accordance with the Company’s by-laws.

The attached consolidated financial statements include the accounts of the Company, its branches and subsidiaries as follows:

<u>Branch Name</u>	<u>CR No.</u>
Al-Rowad Schools - Izdihar District	1010362199
Al-Rowad Schools - Al Rawabi District	1010275978
Al-Rowad Schools - Al Mansoura District	1010397500
Al-Rowad Schools - Al-Andalus District	1010203258
Al-Rowad Schools - Ishbilyah District	1010469726
Middle East International School - Ishbilyah District	1010450854
Al Fikr Private School - Al-Rahmaniyah District	1010192540
Middle East International School - Sulaymaniyah District	1010903137
Middle East International School - Mourouj District	1010192541
New Middle East International School - Sulaymaniyah District	1010250798
Modern Middle East International School - Rawda District	1010352008
Al Sulaymaniyah International Private School - Sulaymaniyah District	1010196919
Ataa Educational Company for Maintenance and Operation - Al-Azdihar district	1010452144

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1. LEGAL STATUS AND ACTIVITIES (CONTINUED)

The subsidiaries of the Group that are owned directly or indirectly (“referred to as” the Group “):

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Legal Form</u>	<u>Effective Ownership Percentage (Direct / Indirect)</u>	
			<u>31 July 2023</u>	<u>31 July 2022</u>
Al Nokhbah Educational Company (1)	KSA	LLC	100%	100%
Al Oruba International Company for Education Services (2)	KSA	LLC	100%	100%
Al-Rowad Company for Supporting Services (3)	KSA	LLC	100%	100%
Elm International Schools Company (4)	KSA	LLC	100%	100%
Wasat National Training and Education Company (5)	KSA	LLC	52%	52%
Arabian Education and Training Group Holding Company (6)	KSA	CJSC	100%	100%
Creative Development Company (6)	KSA	LLC	100%	100%
Alfaisal International Academy Company (6)	KSA	LLC	100%	100%
Amjad Qurtuba Educational Services Company (6)	KSA	LLC	100%	100%
Nabaa Educational Company (6)	KSA	LLC	100%	100%
Al-Alsun International Private Schools Company (6)	KSA	LLC	100%	62.8%
Jasmine International Company (6)	KSA	LLC	100%	49%
Jeel Al Majd International Private Schools Company (6)	KSA	LLC	100%	45%
Academic Company for Educational Services (6)	KSA	CJSC	52.2%	52.2%

- (1) The Nokhbah Educational Company is a limited liability Company, incorporated under the Regulations for Companies in Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010231261 on 26 Rabi Al-Awwal, 1428 AH corresponding to 14 April 2007.

The Company is principally engaged in pre-school and kindergarten education with a national curriculum, primary, intermediate and secondary education for male and female students with a national curriculum.

The Company operates through Al Nokhba Educational Schools, Al Kharj Branch, Al Nahda District, under commercial registration No. 1011010525 in Riyadh on 15 Jumada Al Awwal 1425 AH corresponding to 3 July 2004.

- (2) Al Oruba International Company for Education Services (“the Company”) is a limited liability Company, incorporated under the Regulations for Companies in Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010259834 on 25 Dhual-Hijjah 1429 AH corresponding to 24 December 2008.

The Company is principally engaged in pre-school and kindergarten education with an international curriculum, primary, intermediate and secondary education for male and female students with an international curriculum.

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1. LEGAL STATUS AND ACTIVITIES (CONTINUED)

- (3) Al-Rowad Company for Supporting Services (“the Company”) is a limited liability Company, incorporated under the Regulations for Companies in Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010299500 on 19 Muharram 1432 AH corresponding to 25 December 2010.

The Company is principally engaged in general construction for non-residential buildings such as schools, hospitals and hotels, and educational transportation.

- (4) Elm International Schools Company (“the Company”) is a limited liability Company, incorporated under the Regulations for Companies in Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010218835 on 3 Rabi’ Al-Thani 1427 AH corresponding to 1 May 2006.

The Company is principally engaged in pre-school and kindergarten education with an international curriculum, primary, intermediate and secondary education for male and female students with an international curriculum.

The Company operates through the Elm International Schools Company branch, under commercial registration No. 1010393369 in Riyadh on 1 Rabi’ al-Akhir 1435 AH corresponding to 1 February 2014.

- (5) Al-Wasat National Training and Education Company is a limited liability Company, incorporated under the Regulations for Companies in Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010192295 on 26 Shawwal 1424 AH corresponding to 18 December 2003.

The Company is principally engaged in primary, intermediate and secondary education for students with a national curriculum.

- (6) Arabian Education and Training Group Holding Company (“the Company”) is a Saudi closed joint stock company in Kingdom of Saudi Arabia and was registered at the Commercial registration No. 1010206103 in Riyadh on 18 Muharram 1426 AH corresponding to 27 February 2005.

The Company is principally engaged in managing subsidiaries of holding companies, investing the funds of subsidiaries of holding companies, holding real estate and movable property necessary for the holding companies, providing loans, guarantees, and finance to subsidiaries of holding companies, holding industrial property rights to subsidiaries of holding companies and leasing industrial property rights to subsidiaries of holding companies.

Ataa Educational Company (“the Company”) indirectly owns the rest of the companies mentioned in the note through Arabian Education and Training Group Holding Company (“the Company”) according to ownership percentages set out in the note.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2023

(All amounts in SAR unless otherwise stated)

2. BASIS OF PREPARATION AND MEASUREMENT

a- Statement of compliance

These consolidated financial statements (“Financial Statements”) have been prepared in accordance with International Financial Reporting Standards as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the periods presented, unless otherwise stated.

b- Basis of consolidation

The consolidated financial statements include the financial statements of Atta Educational Company and its branches and subsidiaries (the Group) as described in Note (1).

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as of 31 July 2023. 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 other voting 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 its control over 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 control until the date the Group ceases to control over subsidiary.

ATAA EDUCATIONAL COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

b- Basis of consolidation (Continued)

Profit or loss and each component of consolidated comprehensive income are attributable to shareholders of the Parent Company 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 in line with the Group's accounting policies. All inter-Group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon 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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interests.
- 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's 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.

c- Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for employee end-of-service benefits liability and Ministry of Finance borrowings that are recognized at the present value of future obligations using the projected unit Credit Method.

In line with the Capital Market Authority circular dated 17 October 2016, the Group is required to apply the cost model to measure property, plant and equipment and intangible assets when adopting International Financial Reporting Standards for a period of three years from the date of adopting International Financial Reporting Standards, which has been extended later until 31 December 2024.

d- Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Group's functional and presentation currency. Figures have been rounded off to the nearest SAR, unless otherwise stated.

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2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

e- New standards, amendments to standards and interpretations

Amendments

New several amendments to the standards, described below, are effective during the current year but do not have a significant impact on the Group's consolidated financial statements:

New amendments to the standards issued and adopted in 2022.

Amendments to Standard s	Description	Effective for annual periods beginning on or after	Summary of Amendments
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the Group first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS 2018–2020	1 January 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the ‘10 percent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of ‘testing whether an asset is functioning properly’.
IFRS 3	Reference to the Conceptual Framework	1 January 2022	The amendment updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

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2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

e- New standards, amendments to standards and interpretations (Continued)

New standards and amendments to IFRS revised issued but are not yet effective:

The Group has not adopted the new and revised IFRS and the following amendments to IFRS that have been issued but are not yet effective.

Amendments to Standards	Description	Effective for annual periods beginning on or after	Summary of Amendments
IFRS 17	Insurance Contracts	1 January 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	1 January 2023	These amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	1 January 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies adopted by the Group is set out below:

3-1 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- It is held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.
- 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 assets.

A liability is current when:

- It is expected to be settled in the 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.
- 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 liabilities.

3-2 Business combinations

Business combinations are accounted for using the acquisition method upon transfer of control to the Group. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the consolidated statement of profit or loss as incurred.

When the Group acquires a business, it assesses the identifiable 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 of the acquiree.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value, with limited exceptions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-2 Business combinations (Continued)

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests of the acquiree, and the fair value at the acquisition-date of the acquirer's previously held interest of the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests of the acquiree and the fair value of the acquirer's previously held interest of the acquiree (if any), the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then a gain on bargain purchase at a differential price is recognized in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing for goodwill acquired from the business combination and from the date of acquisition, it will be allocated to cash-generating units ("CGU") that are expected to benefit from the consolidation regardless of whether the other assets or liabilities acquired have been allocated to those units.

If goodwill is not allocated to designated cash-generating units because of an incomplete initial calculation, the initial impairment loss will not be tested unless impairment indicators are available to enable the Group to allocate the carrying amount of the goodwill to the cash-generating units or the Group of cash-generating units expected to benefit from business combination. Where goodwill is allocated to the cash-generating unit and part of the operations of that unit are discontinued, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on discontinued operation. The goodwill in such circumstances is Measured on the basis of the value of a similar discontinued operation and the remaining portion of the cash-generating unit.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The group follows the relative share in accounting for uncomfotable rights. Other types of non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another relevant IFRS approved in Kingdom.

Any contingent consideration to be paid (if any) will be recognized at acquisition-date fair value and classified as equity or a financial liability. Contingent consideration classified as a financial liability is subsequently remeasured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the consolidated statement of profit or loss. Amounts arising from interests of the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss where such treatment would be appropriate if that interest were disposed of.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-2 Business combinations (Continued)

If the initial accounting for the business combination is not completed by the end of the reporting period which constitutes the period in which the combination occurred, the Group presents the items whose value calculation has not been completed in a temporary manner in the consolidated financial statements, During the measurement period, which is not more than one year from the acquisition date, the temporary value recognized on the acquisition date is retroactively adjusted to reflect the information obtained about the facts and circumstances that existed at the date of acquisition and if it is determined that, this will affect the measurement of amounts recognized as of that date. During the measurement period, the Group recognizes additional assets or liabilities if it obtains new information about facts or circumstances that existed at the acquisition date and if it is determined that, this would result in assets or liabilities being recognized as of that date. The measurement period ends when the Group obtains the information it was seeking about the facts and circumstances that existed at the acquisition date, or when it believes that more information is not obtainable.

3-3 Fair value measurement

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 will take place either:

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

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

The fair value measurement of a non-financial asset considers the ability of market participants to provide economic benefits by using the asset for the best benefit, or by selling it to another market participant for the best benefit.

The Group uses valuation techniques that are appropriate to circumstances and conditions and have sufficient data to measure fair value, maximize the use of relevant observable inputs, and minimize the use of unobservable inputs substantially.

All assets and liabilities whose fair values are measured or disclosed at their fair values in the consolidated financial statements are categorized within the fair value hierarchy set out below based on the lowest level inputs that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
Level 2: valuation techniques in which the lowest level of significant inputs is used for the fair value measurement and can be observable either directly (i.e., prices) or indirectly (i.e., derived from prices).
Level 3: valuation techniques in which the lowest level inputs are used for the fair value measurement. (Unobservable inputs).

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(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts in SAR unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-3 Fair value measurement (Continued)

For assets and liabilities recognized in the consolidated financial statements at fair value on an ongoing basis, the Group determines whether transfers have taken place between levels of the hierarchy above by reassessing categorization (based on the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each reporting period. The Company sets out policies and procedures for both recurring fair value measurement and non-recurring fair value measurement.

At each reporting date, The Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset or liability with other external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3-4 Property and equipment

Property and equipment are recognized initially at the cost of acquisition, including any directly attributable costs of bringing the assets to the location and condition necessary for them to operate in the manner intended by the Group's management. These assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

When the major components of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Depreciation is charged to the consolidated statement of profit or loss and calculated using the straight-line method to allocate the costs of the related assets after deducting the residual values over the estimated useful lives of each item of property and equipment. The following are the estimated depreciation rates for the assets:

	<u>Years</u>
Buildings and improvements	5-50
Electrical tools & equipment	4-10
Motor vehicles	5-10
Furniture & fixtures	4-10

Repair and maintenance costs are expensed to the consolidated statement of profit and loss. Repair and maintenance expenditures that significantly increase the value of assets or extend their useful lives are capitalized.

Depreciation method, residual value and useful lives estimates are reviewed annually.

An item of property and equipment and any significant parts that were originally recognized are derecognized at disposal or when no future benefits are expected from the use or disposal. Any gain or loss on the derecognition of an asset (which is calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is included in the consolidated statement of profit or loss on derecognizing the asset. The carrying amount of an asset is reduced immediately to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-4 Property and equipment (Continued)

Capital works in process

Assets under construction or development are capitalized in capital works in process, then the cost of assets under construction or development is transferred to the appropriate category of property and equipment or intangible assets (depending on the nature of the project), upon bringing the asset to the site and/or the condition necessary to be able to operate in the manner intended by Management. The expenditures of capital works in process includes the acquisition price, the cost of construction / development and any other costs directly attributable to capital works originated or acquired under management's consideration. The expenditures associated with testing capital works in process items (before they are ready to use) are capitalized net of proceeds from the sale of any production during the test period. Capital works in process are not depreciated or amortized.

3-5 Intangible assets

Intangible assets are stated in the consolidated statement of financial position at cost less accumulated amortization and any accumulated impairment losses. They are recognized in the consolidated statement of profit or loss in the period in which the expenses are incurred.

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

Intangible assets with finite lives are amortized over their useful economic lives. The estimated amortization period and the amortization method are reviewed at least at the end of each reporting year, considering the prospective effect of any changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized but are assessed annually for impairment. The useful life of an intangible asset that is not being amortized is reviewed annually for any indication for indefinite useful life. The effect of a change in the useful life assessment from finite to indefinite is accounted for as a change in accounting estimates prospectively.

3-5-1 Computer software

Licenses of software acquired from other parties are initially recognized at cost. They are amortized on a straight-line basis over their estimated useful lives of 4 to 5 years.

3-5-2 Student List

The student list acquired by the Group from the acquisition of subsidiaries with finite useful life is measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated to write off the cost of intangible assets less their estimated residual value on a straight-line basis over their estimated useful lives of 8 years and recognized in the consolidated profit or loss.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-5 Intangible assets (Continued)

3-5-3 Franchise

The franchise is the exclusive right to use the trademark within Kingdom of Saudi Arabia and is measured at cost at initial recognition. Subsequently, it is carried at cost less accumulated amortization and any accumulated impairment losses. The franchise is amortized based on straight-line method over the franchise agreement term, which is estimated to be 12 years.

3-5-4 Goodwill

Goodwill on acquisition is initially recognized at cost, which is the excess of the business combination cost over the Group's interest in fair value of net identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is allocated to cash-generating units or groups of cash-generating units for impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units expected to benefit from the business combination that gives rise to goodwill.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Impairment losses on goodwill are recognized in the consolidated statement of profit or loss. Goodwill is assessed annually or more frequently for impairment losses, if events or changes in circumstances indicate that its carrying amount may be impaired. Please refer to Note (6) in the consolidated financial statements for more information.

3-6 Right-of-use assets

The Group recognizes right-of-use assets at the commencement date (i.e., the date on which the underlying asset becomes ready to use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes lease liabilities recognized, the initial direct costs incurred, and lease payments made at or before commencement, less any lease incentives received and the cost of restoration. Unless the Group is reasonably certain that ownership of leaseholds will be maintained at end of the lease term, the right-of-use asset recognized is depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use Assets are subject to impairment.

3-7 Lease liabilities

The Group recognizes, at commencement, lease liabilities measured at the present value of lease payments made over lease term. Lease payments include fixed payments (including actual fixed payments) less any lease incentives receivable and variable lease payments based on an index, or a rate and amounts expected to be payable under residual value guarantees. Lease payments also include purchase option price reasonably confirmed by the Group and payments of penalties at termination if the lease reflects the Group's option to terminate. Variable lease payments that are based on a certain index or rate are expensed for the year in which the event or condition gives rise to the payment.

When calculating the present value of lease payments, the Group uses the incremental borrowing rate at commencement, if the implicit interest rate in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification or change in the lease term, whether it is a change in the actual fixed lease payments or a change in the valuation of purchasing the underlying asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-8 Short-term leases and leases of low-value assets

The Group elected not to recognize its short-term leases of properties (i.e., leases with a term of 12 months or less from the commencement date that do not include a purchase option), and also elected not to recognize leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

3-9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that the 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. The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less cost to sell and value in use.

The recoverable amount of an individual asset is determined unless the asset does not generate cash inflows that are largely independent of those of other assets or a group of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and 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. Recent market transactions are considered in determining fair value less costs to sell. In the event that such transactions cannot be determined, the appropriate valuation model is used. Goodwill is assessed annually for impairment and any impairment losses on goodwill are not reversed.

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

Impairment losses from continuing operations are recognized in the consolidated statement of profit or loss in categories of expenses consistent with the function of the impaired asset.

For non-financial assets, excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses no longer exist or have decreased. When such an indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit. Impairment losses are reversed so that the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized on the asset in prior years. This reversal is recognized in the consolidated statement of profit or loss.

3-10 Inventory

Inventory consists of textbooks, stationery and school uniforms. Inventory is valued at the lower of cost and net realizable value, and cost is determined on a weighted average basis. The realizable value is the difference between the estimated selling price in the normal course of business, less the estimated costs of completion and expenses to complete the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-10 Inventory (Continued)

The Group reviews the carrying amount of inventory on a regular basis. When necessary, inventory is written down to their net realizable value or provision is made for obsolescence if there is a change in the usage pattern or physical form of the related inventory.

Management estimates the net realizable value of inventory, considering the most reliable evidence at the time the estimates are used and making a provision for obsolete inventory. These estimates consider changes in demand for goods, technological changes, and fluctuations in quality and prices. Accordingly, the Group considers these factors in calculating the provision for obsolete, slow moving and obsolete inventory.

3-11 Accounts receivable

Amounts due from parents for providing education services, amounts due from government entities contracted with to provide recruitment services, and amounts due from the private sector and individuals for providing training services are in the normal course of the Group's activities and do not carry interest. If the credit exceeds the normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of accounts receivable and other receivables are reviewed for any objective evidence that the amounts are not recoverable. In this case, impairment loss is recognized immediately in the consolidated statement of profit or loss.

3-12 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash in current accounts, deposits with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition that are readily converted into cash amount, are subject to limited risk and available for the Group.

3-13 Statutory reserve

In accordance with the Company's by-laws, the Company is required to transfer 10% of net income for the year to a statutory reserve until such reserve equals 30% of share capital. The reserve is not available for distribution to the shareholder.

3-14 Cash dividends and non-cash dividends to shareholders

Cash or non-cash dividends to shareholders are recognized as liabilities upon approval of the distribution, and according to the Regulations for Companies in Kingdom of Saudi Arabia, dividends are approved when confirmed by the shareholders. Dividends are deducted immediately from equity and recognized as a liability.

3-15 Borrowings

Borrowings are initially recognized at fair value (as proceeds received), net of transaction costs, if any. long-term borrowings are subsequently measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the borrowing term using the effective interest method. Fees paid on the facility are recognized as the borrowing costs to the extent that it is probable that the facility will be withdrawn partially or in full. In such case, the fees are deferred until the facility is withdrawn, capitalized in prepayments for liquidity services to the extent that there is no evidence the facility may be withdrawn partially or in full, and are amortized over the underlying facility term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-15 Borrowings (Continued)

Borrowings are derecognized of the consolidated statement of financial position when the obligation is charged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognized or transferred to a third party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss within other income or finance costs.

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

3-15-1 Borrowing costs

General and specific borrowings directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the time period required to complete and prepare the asset for its intended use or sale, as applicable. Qualifying assets are assets that necessarily take a substantial time period to become ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings until spent on qualifying assets is deducted from the borrowing costs qualifying for capitalization.

Other borrowing costs are expensed for the year as incurred in the consolidated statement of profit or loss.

3-16 Government subsidies

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that all associated conditions will be complied with. When the subsidy relates to an expense item, it is recognized as income on a regular basis over the periods that the Group intends to offset the costs being expensed.

When the subsidy is related to an asset, it is recognized as income in equal amounts over the expected useful life of the underlying asset.

When the Group receives non-cash subsidies, the asset and the subsidy are recorded at nominal value and transferred to the consolidated statement of profit or loss over the expected useful life of the asset based on the depreciation pattern of the asset's benefits in equal annual amounts. When borrowings or similar finance are granted by government or related institutions at an interest rate lower than the prevailing interest rate, the effect of these differential interest rates is considered a government subsidy and recorded under non-current liabilities in the financial position as deferred government subsidies.

3-17 Employee benefits

3-17-1 Short-term obligations

Liabilities for wages and salaries, including non-cash benefits, accumulated leave and travel tickets expected to be paid in full within 12 months after the end of the period in which the employees provide the related services, are recognized based on the services provided by the employees until the end of the reporting period of consolidated financial statements, and measured by amounts expected to be paid when the liabilities are settled. The liability is presented as current employee benefits obligation under accrued expenses in the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-17 Employee benefits (Continued)

3-17-2 Long-term employee benefits and other related obligations

The liability or asset is recognized in the consolidated statement of financial position in respect of defined benefits. The employee end-of-service benefits obligation is the present value of the defined benefits obligation in the reporting year, and the defined benefits obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service Cost

Service costs include current service costs and past service costs which are recognized immediately in the consolidated statement of profit or loss.

Changes in the present value of the defined benefits obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as employee end-of-service benefit expense.

Interest Cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefits obligation. This cost is included in finance costs in the consolidated statement of profit or loss.

Re-Measurement Gains or Losses

Re-measurement gains or losses arising from adjustments and changes in actuarial assumptions are recognized in the year in which they occur, immediately in the consolidated statement of comprehensive income.

3-18 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in Kingdom of Saudi Arabia (“the Authority”) and the zakat liability is recognized and charged to the consolidated statement of profit or loss for the current period. Additional zakat liabilities, if any, relating to the final assessments for prior years by the Authority are recognized in the period in which the final assessments are issued.

The Group is only qualified to pay zakat. And since the reversal of temporary differences, if any, is not expected to have any material impact on zakat amount in the foreseeable future, no deferred tax liability or asset has been recognized in these consolidated financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-18 Zakat (Continued)

3-18-1 Value added tax

The expenses and assets are recognized net of VAT amount, except for:

- When the VAT incurred on the purchase of assets or services is not recoverable from the tax authorities, in this case VAT is recognized as part of the cost of purchasing the assets or expensed, if applicable, and/or
- When receivables and payables are stated including VAT amount

Net VAT recoverable from / or payable to the tax authorities is recorded as part of prepaid expenses and other current assets or accrued expenses and other current liabilities in the consolidated statement of financial position.

3-19 Financial instruments

(1) Classification and measurement of financial assets and liabilities

On initial recognition, financial assets are classified as financial assets measured at amortized cost, or at fair value through comprehensive income (“FVOCI”) - debt investments, or at fair value through comprehensive income (“FVOCI”) - equity investments, or at fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortized cost if it meets both of the following criteria and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are measured at FVOCI if they meet both of the following criteria and are not designated at FVTPL:

- It is held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in investment fair value within comprehensive income. This election is made on an investment-by-investment basis.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-19 Financial instruments (Continued)

(1) Classification and measurement of financial assets and liabilities (Continued)

Financial assets (unless they are accounts receivable without a significant financial component initially measured at the transaction price) are initially measured at fair value plus, for the item not measured at FVTPL, transaction costs that are directly attributable to their acquisition.

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

Financial assets carried at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss.
Financial assets carried at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss is recognized in the consolidated statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Net other gains and losses are recognized in comprehensive income. On derecognition, gains and losses accumulated in consolidated comprehensive income are reclassified to the consolidated statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other gains and losses are recognized in the consolidated statement of other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

Disposal

Financial assets

A financial asset (or part of a group of similar financial assets) is mainly derecognized (i.e., derecognized of the Group's statement of financial position) in the following cases:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-19 Financial instruments (Continued)

(1) Classification and measurement of financial assets and liabilities (Continued)

Disposal (Continued)

Financial liabilities

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

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

(2) Impairment of financial assets

The Financial assets measured at amortized cost comprise of accounts receivable, prepaid expenses, other current assets, due from related parties and cash and cash equivalents.

Loss allowances are measured based on lifetime ECL: these are credit losses that arise from all possible default events over the expected life of the financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECL.

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

ECL Measurement

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

Credit Impaired Financial Assets

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

Impairment Presentation

Loss allowances on the financial assets measured at amortized cost are deducted from the carrying amount of the assets.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-19 Financial instruments (Continued)

(2) Impairment of financial assets (Continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor has no assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of outstanding amounts.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a current legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3-20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from providing services in the normal course of the Group's activities, taking into account contractually determined payment terms. Revenue is recorded net of trade discounts, incentives and rebates.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

The Group recognizes revenue under IFRS 15 using the following five-steps model:

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for fulfilling each performance obligation.
Step 5: Revenue recognition	The Group recognizes revenue (or as) it fulfils a performance obligation by transferring a promised good or service to the customer under a contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-20 Revenue recognition (Continued)

Identify the contract with the customer

The Group performs a careful assessment of the terms and conditions of the contracts with its customers because the revenues are recognized only when the performance obligations of the contracts with the customers are fulfilled. Changes in the contract scope or price (or both) are considered a modification of the contract and the Group determines whether this change will be considered a new contract or as part of the current contract.

Identify the performance obligations

Once the Group identifies the contract with the customer, it evaluates the contractual terms and normal business practices to identify all contracted services and determine whether any of those contracted services (or a bundle of contracted services) will be treated as separate performance obligations.

Determine the transaction price

The Group determines the transaction price as the amount of consideration it expects to be entitled in exchange for. This includes an estimate of any variable consideration and the impact of a significant financing component (i.e., the time value of money) and the fair value of any non-cash consideration and the impact of any consideration paid or payable to a customer (if any). The variable consideration is limited to the amount for which there is a high probability of no significant reversal in the amount of accrued revenue recognized when the uncertainty associated with the variable consideration is subsequently resolved.

Consideration is determined based on the transaction price agreed with the customers and there are no other promises in the contract with customers that are identified as separate performance obligations that must be allocated a portion of the transaction price. When determining the transaction price for the services, the Group took into account the impact of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any) and concluded that such consideration amounts are not included in the transaction price.

Contract modifications, such as change orders, are considered as part of the current contract, with cumulative adjustments to revenue. For substantial contract modifications, a separate contract may be recognized, based on the management's assessment of the following factors:

- The contract scope increases due to the addition of promised goods or services and can be distinguished themselves; and
- The contract price increases by the compensation that reflects the entity's standalone selling prices for the additional promised goods or services and any appropriate adjustments to that price to reflect the conditions of the contract.

There were no substantial modifications to the contracts during the year ended 31 July 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-20 Revenue recognition (Continued)

Allocate the transaction price

When identifying the performance obligations and the transaction price, the transaction price is allocated to the performance obligations, which is usually proportionate to their standalone selling prices (i.e., on a relative standalone future selling price basis). When determining the standalone selling prices, the Group must use observable information, if any. If the standalone selling prices are not directly observable, the Group uses estimates based on reasonably available information.

Revenue recognition

The Group recognizes revenue in accordance with the terms and conditions contained in the contracts concluded with the customers to the extent that the performance obligations related to the contracts with customers are fulfilled by the Group by transferring control of a contracted service to the customer, which can be transferred over time period or at some point in time. When fulfilling a performance obligation over a time period, the Group determines the progress under the contract based on the input or output method, which works to measure the best completed performance to date. The specified method is applied consistently to similar performance obligations and in similar circumstances. The Group believes that it fulfills its performance obligations in its contracts with customers over time period for Education Segment, and at some point in time for Training and Recruitment Segments, and therefore it recognizes revenue when it fulfills its obligations under its contracts with customers.

3-20-1 Tuition fees

Tuition fees revenue (for Education Segment) is recognized in the consolidated statement of profit or loss during the period of students' study and is stated net of discounts and exemptions. Revenue is recognized over time period.

3-20-2 Bus subscription

Revenue from bus subscription services is recognized in the consolidated statement of profit or loss over the period of the academic year for the students who subscribed to the service either one "one-way" route or two "round-trip" routes. Revenue is recognized over time period.

3-20-3 Training Services

Revenue from language, computer and other training courses is recognized when the training services are performed and completed. Revenue is recognized at some point in time.

3-20-4 Recruitment Services

Revenue from recruitment services is recognized when the beneficiary entity registers the employee in the social insurance scheme and after the employee's approval. Revenue is recognized at some point in time.

3-21 Expenses

Cost of revenue

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. The largest part of this item includes teachers and trainers' salaries and rents for educational buildings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-21 Expenses (Continued)

Marketing expenses

Marketing expenses comprise of all marketing costs of educational, recruitment and training services by the Group, and include advertising expenses, marketing fees through electronic platforms, and fixed and digital billboards.

General and administrative expenses

General and administrative expenses comprise of the costs that are not necessarily part of the marketing expenses, cost of revenues, finance costs or zakat expenses.

3-22 Earnings per share

Basic earnings / (losses) per share

Basic earnings per share is calculated by dividing:

- Profit / (loss) attributable to the shareholders of the Company, after deducting any equity service costs other than common stock by the weighted average number of common stock outstanding during the financial period.

Diluted earnings / (losses) per share

The figures used to determine the basic earnings / (losses) per share are adjusted for the diluted earnings per share, considering:

- The impact of interest after income tax and other finance costs associated with the dilution of potential common stock.
- The weighted average number of additional common stock that would have been outstanding assuming the conversion of all common stock is affected by the potential dilution.

3-23 Foreign currency transactions and balances

Foreign currency Transactions are translated into SAR using the exchange rate ruling on the date of the transactions. Foreign exchange gains and losses on these transactions adjustment and on the re-translation of monetary items denominated in foreign currency at the exchange rates ruling at year-end, are recognized in the consolidated statement of profit and loss.

Non-monetary items are not re-translated at year-end and are measured at historical cost (they are translated using the exchange rates ruling on the date of the transaction), except for non-monetary items measured at fair value, which are translated using the exchange rates ruling on the date when the fair value was determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-24 Provisions

Provisions are recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation 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 obligation amount. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate, which reflects current market assessments of time value of money and liability-specific risks. In discounting, the increase in the provision is recognized as finance cost in the consolidated statement of profit or loss.

3-25 Contingencies

All contingent liabilities arising from past events that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by the Group or all current liabilities arising from past events but are not proven for the following reasons: (1) it isn't probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (2) a reliable estimate can't be made of the obligation amount, then it must be assessed at the date of each consolidated statement of financial position and disclosed in the consolidated financial statements of the Group within the contingencies.

3-26 Segment reporting

Operating segment

The operating segment is one of the components of the Group, which carries out activities from which it may generate revenues and incur expenses, including revenues and expenses related to transactions with any of the other segments of the Group. All segment results are periodically evaluated by the operating decision maker to make decisions and assess the performance of the resources allocated to each segment and the financial information available separately.

Segment results that are reported to the operating decision maker include items directly attributable to the segment as well as those that can be allocated on an appropriate basis. Head office expenses, research and development costs, related assets/liabilities, and zakat assets and liabilities.

The Group has three operating segments, in Kingdom of Saudi Arabia (Education Segment - Training Segment - Recruitment Segment). The Training Segment does not meet the quantitative requirements set out in IFRS 8 Operating Segments but is disclosed separately as management believes that information about the segment would be useful to users of the consolidated financial statements.

Geographical segment

A geographical segment is a group of assets, operations or entities engaged in profitable activities in a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

The Group has no geographical segments as all the revenues from the Group's activities are within Kingdom of Saudi Arabia and accordingly, there are no geographical segments to be disclosed.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the period in which the estimates are reviewed if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4-1 Significant judgments in applying the Group's accounting policies

In applying the Group's accounting policies, management has made the following judgments, which have a significant impact on the amounts recognized in the consolidated financial statements.

4-1-1 Going concern

As of 31 July 2023, the Group's current liabilities exceeded its current assets by SAR 144.79 (31 July 2022: SAR 52.6 million), which was mainly due to borrowings and lease liabilities amounting to SAR 216.50 million. Despite the deficit in working capital, the Group has an operating cash flow of 248.31 million Saudi riyals, which indicates the Group's ability to meet its obligations when they fall due. The Group's management also monitors cash management and liquidity risk analysis intensively and is certain about its ability to close the gap, accordingly, the attached consolidated financial statements have been prepared on a going concern basis.

4-1-2 Depreciation of property, equipment and intangible assets (except for Goodwill)

The Company's assets are depreciated on a straight-line basis their estimated economic useful lives.

4-1-3 Determining the lease term with extension and termination options, the company as a lessee.

When determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension or termination option. The assessment is reviewed in case of a material event, or a material change in the circumstances that affect this assessment. During the current financial year, there was no material financial impact of reviewing the lease terms to reflect the effect of exercising the extension or termination options.

4-2 Assumptions and estimation uncertainties

The estimates made by management in applying the Company's accounting policies that have a material impact on the amounts recognized in the financial statements are as follows:

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4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS **(CONTINUED)**

4-2 Assumptions and estimation uncertainties (Continued)

4-2-1 Goodwill-annual impairment assessment on goodwill

The impairment assessments on the group of CGUs to which goodwill has been allocated, are carried out. The group of CGUs is determined based on the acquisitions and mergers. The structure and groups of CGUs are annually assessed. Goodwill is annually assessed for impairment on each group of CGUs to which goodwill has been allocated. The discounted cash flow method is used for determining value in use.

The principal indicators used in the impairment assessment include assumptions for the growth rate and discount rates. Also refer to Note (6) for the sensitivity of these assumptions.

4-2-2 Expected future free cash flows

The expected free cash flows are based on current expectations and specific objectives set for a five-year period. These are determined for CGUs in setting external objectives and expectations based on information and observations for the industry such as macroeconomic indicators and market circumstances. All assumptions used are challenged in setting objectives and expectations based on management's best estimates and expectations, which are subjective by nature. They include expectations for revenue growth and EBIT.

4-2-3 Actuarial valuation of employee end-of-service benefits

The present value of retirement obligations depends on several factors that are determined using actuarial valuations that use several assumptions. The assumptions used in determining the net cost (income) of retirement include the discount rate. Any change in these assumptions will have an impact on the carrying amount of retirement obligations.

The Group determines the appropriate discount rate at each year-end, which is the interest rate used to determine the present value of estimated future cash flows expected for settlement of end-of-service obligations. While determining the appropriate discount rate, the Group takes into account the interest rates on high-quality corporate bonds, provided that the bonds term is consistent with the estimated period for end-of-service benefits liabilities.

4-2-4 Useful lives of property and equipment

As described in Note (3), the Group estimates the useful lives of property and equipment at the end of each annual reporting period. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)

4-2 Assumptions and estimation uncertainties (Continued)

4-2-5 ECL Provision

The Group uses a model to estimate lifetime ECL not credit-impaired and lifetime ECL credit-impaired based on the change in credit risk for the financial instrument. The Group uses the simplified approach using a provision matrix to measure ECL for parent and client receivables, which typically consist of a very large number of low balances. To measure ECL, receivables are grouped based on common credit risk characteristics and the periods in which they fall due. Historical loss rates are adjusted to reflect current and future information according to indications of macroeconomics that affect the ability of parents and clients to settle receivables.

4-2-6 Leases Discount rate

The Group cannot easily determine the implicit interest rate in leases, and therefore it uses the incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the interest that the Group would have to pay to borrow over a similar term and with a similar guarantee -the funds necessary to acquire an asset of similar value to the right-of-use asset in a similar economic environment- so the incremental borrowing rate reflects what the Group would have to pay and that requires an estimate when observable rates are not available or when it is required to be modified to reflect the lease terms and conditions. The Group estimates the incremental borrowing rate using observable inputs (e.g., market interest rates) when available and required to make the Group's estimates.

4-2-7 Zakat and Tax provision

The Group has assessed zakat and VAT status having regard to local zakat and tax legislation, decrees issued periodically and conventions. Interpretations of such legislation, decrees and conventions are not always clear and entail the completion of assessment by ZATCA.

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5. PROPERTY, PLANT AND EQUIPMENT

	31 July 2023						Total
	Land	Buildings and Improvements	Electrical Tools&Equipment	Motor Vehicles	Furniture & Fixtures	Projects Under Construction	
Cost:							
At beginning of the year	267,679,757	614,316,366	104,702,269	35,421,860	94,646,935	28,636,473	1,145,403,660
Additions during the year	18,275,000	4,868,082	12,388,210	2,407,700	4,536,787	19,477,450	61,953,229
Transferred from projects under construction during the year	-	26,701,755	-	-	-	(26,701,755)	-
Disposals during the year	-	(18,956,321)	(39,105,076)	(683,581)	(36,868,097)	-	(95,613,075)
At end of the year	285,954,757	626,929,882	77,985,403	37,145,979	62,315,625	21,412,168	1,111,743,814
Accumulated Depreciation:							
At beginning of the year	-	139,558,363	88,290,020	34,324,770	78,488,501	-	340,661,654
Charged for the year	-	15,548,137	7,126,433	830,688	4,760,852	-	28,266,110
Disposals during the year	-	(18,890,607)	(38,558,544)	(683,550)	(34,584,834)	-	(92,717,535)
At end of the year	-	136,215,893	56,857,909	34,471,908	48,664,519	-	276,210,229
Net Book Value	285,954,757	490,713,989	21,127,494	2,674,071	13,651,106	21,412,168	835,533,585

- Depreciation is expensed for the year as follows:

	31 July 2023
Cost of revenue (Note 23)	26,045,350
General and administrative expenses (Note 25)	2,220,760
	28,266,110

- There are land and buildings amounting to SAR 170.37 million pledged for certain credit facilities as described in Note (15).
- The projects under construction, amounting to SAR 21.4 million, include the construction of an annex to the educational complex located in Izdihar district, building developments in the educational complexes, the construction of educational complex for Wasat National Training and Education Company in Al-Salam district, and the buildings of Al-Alsun International Private Schools Company and Alfaisal International Academy Company. These projects are expected to be completed by the end of 2024 and the estimated cost of completion is SAR 100 million.

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	31 July 2022						Total
	Land	Buildings and Improvements	Electrical Tools&Equipment	Motor Vehicles	Furniture & Fixtures	Projects Under Construction	
Cost:							
At beginning of the year	156,010,372	371,048,884	37,480,534	32,634,457	37,959,600	8,537,174	643,671,021
Assets transferred from acquirees (Note 34)	26,071,303	197,447,042	59,454,401	2,957,398	53,916,463	6,384,867	346,231,474
Additions during the year	-	1,978,880	6,344,165	330,000	2,614,440	35,046,634	46,314,119
Revaluation differences on acquisition (Note 34)	63,217,582	14,420,239	-	-	-	-	77,637,821
Transferred from investment property	22,380,500	16,616,375	-	-	-	-	38,996,875
Transferred from projects under construction during the year	-	15,532,852	2,326,070	-	661,641	(18,520,563)	-
Disposals during the year	-	(2,727,906)	(902,901)	(499,995)	(505,209)	(2,811,639)	(7,447,650)
At end of the year	<u>267,679,757</u>	<u>614,316,366</u>	<u>104,702,269</u>	<u>35,421,860</u>	<u>94,646,935</u>	<u>28,636,473</u>	<u>1,145,403,660</u>
Accumulated Depreciation:							
At beginning of the year	-	55,888,475	31,658,865	31,505,463	29,475,751	-	148,528,554
Accumulated depreciation transferred from acquirees (Note 34)	-	69,535,519	51,404,913	2,462,068	44,376,277	-	167,778,777
Transferred from investment property	-	1,577,153	-	-	-	-	1,577,153
Charged for the year	-	13,916,943	6,121,309	790,961	5,065,735	-	25,894,948
Depreciation of revaluation differences on acquisition	-	312,308	-	-	-	-	312,308
Disposals during the year	-	(1,672,035)	(895,067)	(433,722)	(429,262)	-	(3,430,086)
At end of the year	<u>-</u>	<u>139,558,363</u>	<u>88,290,020</u>	<u>34,324,770</u>	<u>78,488,501</u>	<u>-</u>	<u>340,661,654</u>
Net Book Value	<u>267,679,757</u>	<u>474,758,003</u>	<u>16,412,249</u>	<u>1,097,090</u>	<u>16,158,434</u>	<u>28,636,473</u>	<u>804,742,006</u>

- Depreciation is expensed for the year as follows:

	31 July 2022
Cost of revenue (Note 23)	23,704,343
General and administrative expenses (Note25)	2,502,913
	<u>26,207,256</u>

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6. INTANGIBLE ASSETS

	31 July 2023					
	Goodwill*	Student List	Trademark	Franchise	Computer Software	Total
Cost:						
Balance at beginning of the year	574,282,535	12,343,682	13,668,280	12,107,104	1,995,880	614,397,481
Balance at end of the year	574,282,535	12,343,682	13,668,280	12,107,104	1,995,880	614,397,481
Accumulated Amortization:						
Balance at beginning of the year	-	3,085,920	-	6,642,089	1,373,211	11,101,220
Charged for the year	-	1,542,960	-	1,008,925	470,932	3,022,817
Balance at end of the year	-	4,628,880	-	7,651,014	1,844,143	14,124,037
Net Book Value	574,282,535	7,714,802	13,668,280	4,456,090	151,737	600,273,444
	31 July 2022 (Restated Note 34-35)					
	Goodwill*	Student List	Trademark	Franchise	Computer Software	Total
Cost:						
Balance at beginning of the year	412,355,688	12,343,682	-	-	1,440,880	426,140,250
Assets transferred from acquirees (Note 34)	161,926,847	-	13,668,280	12,107,104	555,000	188,257,231
Balance at end of the year	574,282,535	12,343,682	13,668,280	12,107,104	1,995,880	614,397,481
Accumulated Amortization:						
Balance at beginning of the year	-	1,542,960	-	-	720,439	2,263,399
Accumulated amortization transferred from acquirees (Note 34)	-	-	-	5,633,164	181,561	5,814,725
Charged for the year	-	1,542,960	-	1,008,925	471,211	3,023,096
Balance at end of the year	-	3,085,920	-	6,642,089	1,373,211	11,101,220
Net Book Value	574,282,535	9,257,762	13,668,280	5,465,015	622,669	603,296,261

- Amortization is expensed for the year as follows:

	31 July 2023	31 July 2022
Cost of revenue (Note 23)	2,551,885	2,551,885
General and administrative expenses (Note25)	470,932	471,211
	3,022,817	3,023,096

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6. INTANGIBLE ASSETS (CONTINUED)

* Goodwill is the difference between the net assets transferred to the Group from merged and acquired companies and acquisition-date value of those companies.

Goodwill was allocated to the Group's CGUs as follows:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Orouba International Company for Educational Service	87,400,000	87,400,000
Amjad Qurtuba Educational Services Company*	70,427,040	70,427,040
Nabaa Educational Company*	70,410,615	70,410,615
Middle East International Schools	66,600,000	66,600,000
Middle East Modern International Schools	60,575,000	60,575,000
New Middle East International Schools	53,375,000	53,375,000
Al-Ruwad Schools, Al-Rawda Branch	33,091,250	33,091,250
International Elm Schools Company	29,318,044	29,318,044
Al Rowad Schools, Al Rawabi Branch	28,413,273	28,413,273
Jasmine International Company	9,576,775	9,576,775
Alfiker Private School	14,100,000	14,100,000
Sulaymaniyah International Private Schools	14,000,000	14,000,000
Academic Company for Educational Services	9,776,086	9,776,086
AL Nokhba Schools, Al-Kharj Branch	8,846,495	8,846,495
Al Wasat National Schools Company for Education and Training	6,638,475	6,638,475
Alrowad Schools, Ishbilyah branch	7,479,000	7,479,000
Alrowad schools, Mansoura branch	2,519,151	2,519,151
Al-alsun International Private Schools Company	1,736,331	1,736,331
	<u>574,282,535</u>	<u>574,282,535</u>

These companies are subsidiaries of Arabian Education and Training Group Company "Holding" Company, which is 100% owned by Ataa Educational Company. (Note 1-6)

Impairment assessment on goodwill:

Group management assesses goodwill annually for impairment to determine whether the carrying amount of goodwill is less than its recoverable amount or not. The recoverable amount is determined based on the information used in the expected business plans for five years after reporting date and the cash flows related to them, and impairment is assessed based on measuring the present value of future cash flows for a five-year period based on reasonable and objective assumptions to estimate the cash flow according to the latest budgets approved by management.

The principal assumptions used for estimating the recoverable amount are set out below:

The values assigned to the principal assumptions are management's assessment of the future trends in the relevant industries, and are based on historical data from external and internal sources.

	<u>31 July 2023</u>		<u>31 July 2022</u>	
	From	To	From	To
Discount Rate	13.4%	16.9%	11.2%	11.4%

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6. INTANGIBLE ASSETS (CONTINUED)

Impairment assessment on goodwill (Continued):

	<u>31 July 2023</u>	<u>31 July 2022</u>
Growth Rate	2.5%	2%

Expected cash flows included certain estimates for a five-year period and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimates of the long-term compound annual growth rate of the profit before interest and depreciation, in line with the assumptions that a market participant may adopt.

Sensitivity of changes in assumptions

Management believes that there is no reasonably possible change in any of the principal assumptions that would cause the carrying amount of goodwill to differ materially from its recoverable amount.

7. RIGHT-OF-USE ASSETS

Right-of-use assets principally comprise of leases for educational premises, which have lease terms ranging from 2 to 35 years.

	<u>31 July 2023</u>	<u>31 July 2022</u>
Right-of-use assets at beginning of the year	646,241,933	351,527,714
Right-of-use assets transferred from acquirees	-	295,072,733
Assets recognized during the year	78,023,156	9,399,065
Disposals during the year	(38,402,202)	(2,997,071)
Adjustments to the right-of-use assets	48,775,667	(6,760,508)
Balance at end of the year	734,638,554	646,241,933
Accumulated Depreciation:		
Balance at beginning of the year	148,769,003	56,171,912
Accumulated depreciation transferred from acquirees	-	44,917,601
Charged for the year	53,883,470	55,023,742
Disposals during the year	(26,516,798)	(2,997,071)
Adjustments to the right-of-use assets	74,799,902	(4,347,181)
Balance at end of the year	250,935,577	148,769,003
Net Book Value as of 31 July 2023	483,702,977	
Net Book Value as of 31 July 2022		497,472,930

- Depreciation is expensed for the year as follows:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Cost of revenue (Note 23)	53,883,470	55,023,742
	53,883,470	55,023,742

- Short-term and low-value leases amounted to SAR 2,403,946 (31 July 2022: SAR 4,284,781), which represent the leases of the employees' housing (Note23).

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7. RIGHT-OF-USE ASSETS (CONTINUED)

Lease liabilities for right-of-use assets

	<u>31 July 2023</u>	<u>31 July 2022</u>
Lease liabilities as at beginning of the year	558,146,582	322,410,105
Lease liabilities transferred from acquirees	-	265,499,791
Additions during the year	78,023,156	9,399,065
Disposals during the year	(14,090,284)	-
Interest charged for the year (Note 28)	25,114,420	22,974,313
Paid during the year	(72,602,986)	(60,412,524)
Adjustments to lease liabilities for right-of-use assets	(25,666,431)	(485,458)
Lease concessions (Note 27)	-	(1,238,710)
	<u>548,924,457</u>	<u>558,146,582</u>

The balance includes an amount due to Dr. Ahmed bin Nasser Al-Miteb "Related Party" of SAR 3,250,167. (Note 10-2).

The discount rates applied range from 2.45% to 7.58%

Lease liabilities for right-of-use assets are stated in the consolidated statement of financial position as follows:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Non-current	506,703,566	503,346,927
Current	42,220,891	54,799,655
Lease liabilities for right-of-use assets	<u>548,924,457</u>	<u>558,146,582</u>

8. ACCOUNTS RECEIVABLE

	<u>31 July 2023</u>	<u>31 July 2022</u>
Accounts receivable	123,940,092	128,874,798
Less: provision for impairment of accounts receivable	(16,998,457)	(12,659,213)
	<u>106,941,635</u>	<u>116,215,585</u>

- Accounts receivable carry no interest.

Movement of provision for impairment on accounts receivable is as follows:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Balance at beginning of the year	12,659,213	7,494,095
Balance transferred from acquirees	-	40,052,544
Charged for the year	4,339,244	406,441
Used during the year	-	(35,293,867)
	<u>16,998,457</u>	<u>12,659,213</u>

Information related to impairment on accounts receivable and the Group's exposure to credit risk is disclosed in Note (31-2).

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9. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	<u>31 July 2023</u>	<u>31 July 2022</u>
Suppliers and contractors - advance	7,993,756	5,898,603
Prepaid government fees	7,238,352	6,049,329
Investment in Al Roshd International Company - advance	5,475,943	5,475,943
Prepaid insurance	5,447,171	2,503,090
Employee receivables	5,278,035	5,067,196
Prepaid medical insurance	4,762,727	1,081,384
Clients of the administrative building and halls	3,402,716	3,124,613
Prepaid finance costs	2,699,262	2,471,461
Due from old owners of Elm International Schools Company	2,449,655	-
Margin on letters of guarantee	2,297,759	2,725,442
Government subsidy receivable - Ministry of Education	1,834,232	1,298,322
Prepaid professional fees	1,306,625	-
Prepaid Housing allowances	1,144,501	930,791
Prepaid test reservation expenses	384,042	384,649
Others	4,972,551	3,827,642
Less: provision for impairment of prepaid expenses and other current assets	<u>(7,468,349)</u>	<u>(6,500,873)</u>
	<u>49,218,978</u>	<u>34,337,592</u>

Movement of provision for impairment on prepaid expenses and other current assets is as follows:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Balance at beginning of the year	6,500,873	-
Balance transferred from acquirees	-	9,195,854
Charged for the year	1,326,003	654,443
Used during the year	<u>(358,527)</u>	<u>(3,349,424)</u>
	<u>7,468,349</u>	<u>6,500,873</u>

Provision for impairment on prepaid expenses and other current assets is allocated as follows:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Investment in Al Roshd International Company - advance	5,475,943	5,475,943
Clients of the administrative building and halls	1,601,988	275,984
Suppliers and contractors - advance	121,023	121,023
Employee receivables	99,286	99,286
Others	170,109	528,637
	<u>7,468,349</u>	<u>6,500,873</u>

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10. RELATED-PARTY TRANSACTIONS AND BALANCES

Related-party transactions include rentals of educational complexes, expenses on behalf, salaries and remunerations and compensations and committee allowances the and board members and key executives and management carried out between the Group and the related parties, and between the Group and board members and committees and key executives and management, and those transactions are carried out in the normal course of Group's activities according to the same transaction terms with third party. Significant related-party transactions and resulting balances are as follows:

	Nature of Relationship	Nature of Transaction	Amount of Transaction	
			31 July 2023	31 July 2022
Dr. Ahmed bin Nasser Al-Miteb	Shareholder	Rentals of educational complexes	14,088,000	13,596,333
Fawzia Al Haqbani	Shareholder in subsidiary Company	Expenses on behalf	209,375	799,172
Hayat Al-Shahrani	Shareholder in subsidiary Company	Expenses on behalf	209,375	788,747
El-Shrouk Pioneer Academy Building	Associate	payments	-	435,835
Development Holding Company	Associate	payments	664,300	50,000

10-1 Due from a related party

	31 July 2023	31 July 2022
Hayat Al-Shahrani	-	336,110
	-	336,110

The amounts are due on demand and management has no concern about the recoverability of these balances and therefore no provision for ECL has been charged on these receivables.

10-2 Due to related parties

	31 July 2023	31 July 2022
Dr. Ahmed bin Nasser Al-Miteb*	500,000	874,558
Fawzia Al Haqbani	166,619	97,566
Hayat Al-Shahrani	119,860	-
El-Shrouk Pioneer Academy	-	1,764,790
Building Development Holding Company	-	664,300
	786,479	3,401,214

* Lease liabilities for right-of-use assets include balance due to Dr. Ahmed bin Nasser Al-Miteb of SAR 3,250,167 (Note 7).

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10. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)**10-3 Benefits, remunerations and compensation to key management and executives**

	31 July 2023		31 July 2022	
	BOD and committees'	Key management personnel	BOD and committees'	Key management personnel
Remunerations and allowances	3,854,930	2,587,998	2,431,000	4,855,167
Salaries, remunerations and end-of-service benefits	-	6,815,833	-	6,037,045
	<u>3,854,930</u>	<u>9,403,831</u>	<u>2,431,000</u>	<u>10,892,212</u>

11. CASH AND CASH EQUIVALENTS

	31 July 2023	31 July 2022
Cash at banks	38,873,634	48,633,690
Cash on hand	619,553	327,327
	<u>39,493,187</u>	<u>48,961,017</u>

12. SHARE CAPITAL

The authorized and paid-up capital of the Group is SAR 420.87 million as of 31 July 2023 (31 July 2022: SAR 420.87 million) divided into 42,087,215 shares (31 July 2022: 42,087,215 shares) of SAR 10 each.

12-1 Share Premium

- On 2 Dhul-Hijjah 1436 AH, corresponding to 15 September 2015, the Extraordinary General Assembly approved to increase the company's share capital by SAR 74.4 million by issuing new 7.4 million shares at nominal value of SAR 10 each and share premium of SAR 28.17 each.
- On 30 Dhul-Qa'dah 1443 AH, corresponding to 29 June 2022, the Extraordinary General Assembly approved to increase the company's share capital by SAR 20.87 million by issuing new 2.087 million shares at nominal value of SAR 10 each and share premium of SAR 34.08 each for shareholders of Nabaa Educational Company in exchange for transferring all the shares of Nabaa Educational Company to Arabian Education and Training Group Holding Company – subsidiary %100 owned by Ataa Educational Company – in accordance with the acquisition agreement signed between the shareholders of Nabaa Educational Company and Ataa Educational Company and Arabian Education and Training Group Holding Company on 9 Jumada Al-Awwal 1443 AH, corresponding to 31 December 2021.

The share premium of SAR 71,140 million was reduced by SAR 3.9 million, which is the costs of those shares issuance.

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13. STATUTORY RESERVE

In accordance with Articles of Association of the Company, the Company is required to transfer 10% of net income for the year to a statutory reserve until such reserve equals 30% of share capital, The reserve is not available for distribution to the shareholders. However, it can be used to increase the capital after the approval of the shareholders.

14. DIVIDENDS

On 25 Jumada Al-Akhirah 1444 AH, corresponding to 18 January 2023, the Ordinary General Assembly resolved to make dividends amounting to SAR 42.087 million of SAR 1 per share for the year ended 31 July 2022 (31 July 2022: SAR 40 million of SAR 1 per share).

15. BORROWINGS

Borrowings are as follows:

15-1 Borrowing from the Ministry of Finance

The Group obtained a long-term borrowing with the Ministry of Finance amounting to SAR 21.2 million to finance the construction of educational complex in Al Mansoura District. The facility is repaid in ten annual payments after a four-year grace period from the date of signing the agreement and last payment is due on 10 June 2027. These facilities were made without profit margin or commission.

Guarantees

These facilities are secured by a plot of land in Al-Salam District and a plot of land in Al Rawabi District in Riyadh amounting to SAR 21.2 million (31 July 2022: SAR 21.2 million) Note (5).

Movement of borrowing obtained with the Ministry of Finance during the year is set out below:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Balance at beginning of the year	11,422,800	13,326,600
Balance transferred from acquirees (Note 34)	-	3,097,980
Paid during the year	(3,807,600)	(5,001,780)
Balance at end of the year	<u>7,615,200</u>	<u>11,422,800</u>

Movement of the present value of borrowing obtained with the Ministry of Finance is set out below:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Borrowing at end of the year	7,615,200	11,422,800
<u>Less: deferred financial expenses</u>		
Balance at beginning of the year	(1,442,813)	(1,899,881)
Balance transferred from acquirees (Note 34)	-	(59,576)
Financial expenses for the year (Note 28)	399,200	516,644
Balance at end of the year	(1,043,613)	(1,442,813)
Present value of borrowings at end of the year	<u>6,571,587</u>	<u>9,979,987</u>

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15. BORROWINGS (CONTINUED)

15-2 Borrowing from local banks

The Group has signed Shariah-compliant facility agreements with several local banks in the form of Islamic Murabahas amounting to SAR 881,05 million. These facilities were granted with a profit margin and commission on the facilities determined at the rate of return on interbank borrowing in Saudi Arabia (SIBOR) plus a fixed percentage, these facilities are secured by land and properties amounting to SAR 149,17 million (31 July 2022: SAR 370,85 million) Note (5), and (13) promissory notes amounting to SAR 906,65 million, 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, actions are taken by the management to ensure that these covenants are fulfilled.

Movement of borrowings from local banks is set out below:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Balance at beginning of the year	480,808,635	192,776,819
Balance transferred from acquirees (Note 34)	-	124,649,226
Finance obtained during the year	393,698,750	380,025,000
Accrued financial expenses (Note 28)	28,180,865	17,212,765
Paid during the year	(412,135,718)	(233,855,175)
Total borrowings from local banks at end of the year	490,552,532	480,808,635

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

	<u>31 July 2023</u>	<u>31 July 2022</u>
Non-current portion of borrowings*	322,847,821	367,920,761
Current portion of borrowings*	174,276,298	122,867,861
	497,124,119	490,788,622

* Includes the borrowing from the Ministry of Finance (Note 15-1)

16. DEFERRED GOVERNMENT SUBSIDY INCOME

	<u>31 July 2023</u>	<u>31 July 2022</u>
Balance at beginning of the year	1,442,813	1,899,881
Balance transferred from acquirees (Note 34)	-	59,576
Financial expenses during the year (Note 28)	(399,200)	(516,644)
	1,043,613	1,442,813
Non-current portion of deferred government subsidy income	704,599	1,043,614
Current portion of deferred government subsidy income	339,014	399,199
	1,043,613	1,442,813

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17. EMPLOYEE END-OF-SERVICE BENEFITS

The system provides end-of-service benefits for all employees who complete the qualifying service period and are entitled to receive the amounts specified under the labor law for each year / period of such service.

The annual provision is based on an actuarial valuation. The valuation was carried out as of 31 July 2022, 31 July 2023 by the Group's management, using the projected unit credit method.

The actuarial assumptions used in calculating employee end-of-service benefits are as follows:

17-1 Principal actuarial assumptions

	<u>31 July 2023</u>	31 July 2022
Discount rate (% annum)	4,5%	4 :4,25%
Salary increment rate (% annum)	0,3%	0,3%

17-2 Movement of the present value of defined benefit obligations:

	<u>31 July 2023</u>	31 July 2022
Present value at beginning of the year	60,261,770	33,220,577
Present value transferred from acquirees (Note 34)	-	22,771,063
Current service cost	7,364,810	10,189,659
Interest cost (Note 28)	2,173,209	1,963,414
	9,538,019	12,153,073
Paid during the year	(12,465,490)	(9,883,303)
Actuarial losses	2,191,892	2,000,360
	59,526,191	60,261,770
	<u>31 July 2023</u>	31 July 2022
Less than a year	11,700,411	12,465,490
1-5 years	17,343,891	19,979,191
More than 5 years	30,481,889	27,817,089
	59,526,191	60,261,770

17-3 The sensitivity of the defined benefit obligations to changes in the weighted average of the principal assumptions is:

<u>Factor</u>	<u>Change In Assumption</u>	<u>31 July 2023</u>	31 July 2022
Discount rate	+1%	54,526,399	57,475,614
	-1%	62,692,301	61,842,802
Long-term salary	+1%	63,107,346	61,334,348
	-1%	55,933,181	57,907,853

The sensitivity analyses above are based on a change in one assumption while all other assumptions remain constant. In practice, this is unlikely to occur as some changes in some assumptions may be correlated with each other. When calculating the sensitivity of the employee end-of-service benefits to an actuarial assumption, the same method (the present value of the employees defined benefit obligations calculated using the projected unit credit method at the end of the reporting period) is applied when calculating the employee end-of-service compensation recognized in the consolidated statement of financial position.

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18. UNEARNED REVENUE

This balance is the total tuition fees received in advance for the academic year 2023/2024.

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>31 July 2023</u>	<u>31 July 2022</u>
Creditors for purchase of non-controlling rights in subsidiaries*	42,166,000	-
Accrued incentives and bonuses	11,911,930	7,037,829
Accrued franchise rights	4,831,529	5,042,715
Payable to parents	3,669,621	2,152,220
Amounts due to GOSI	2,767,826	8,537,646
Deferred rent revenue	2,376,078	702,349
Accrued legal expenses	1,235,000	-
Accrued professional fees	334,866	430,697
Accrued dividends	278,439	278,439
VAT credit	182,464	1,481,787
Advance payments from clients	-	1,939,273
Other	2,726,678	2,421,439
	<u>72,480,431</u>	<u>30,024,394</u>

* The balance represents the amounts due to the former shareholders of Gil Al-Majd International Company and Al-Alsun International Private Schools Company in exchange for their shares which were purchased during the current year. (Note 35).

20. ZAKAT PROVISION

20-1 Zakat and Tax Status

20-1-1 Zakat Status

The Group submitted its zakat returns to the Zakat, Tax and Customs Authority (“the Authority”) until the year ended 31 July 2022 and obtained a certificate from the Authority valid until 16 Jumada Al-Awwal 1445 AH, corresponding to 30 November 2023.

Ataa Educational Company (“the Parent Company”) obtained the necessary regulatory approvals and the approval of the Authority to calculate Zakat according to the consolidated financial statements, where the Zakat provision is calculated on the basis of the consolidated Zakat base for the Parent Company and its subsidiaries and directly owned by 100% except for Arabian Education and Training Group Holding Company.

On 21 June 2023, the company received from the Authority the amended Zakat assessments for the year 2018, 2019, which resulted in Zakat differences in the amount of SAR 11,646 and this amount was paid during the current year. The company is being audited for the years 2021 AD, 2022 and the audit has not been completed until the date of approval of the consolidated financial statements.

20-1-2 Tax Status

The Group submitted all value-added tax returns until 31 July 2023 and paid all the amounts due to authority, and there is an existing tax status audit for the years 2021, 2022.

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20. ZAKAT PROVISION (CONTINUED)

20-2 Zakat provision movement

	<u>31 July 2023</u>	<u>31 July 2022</u>
Balance at beginning of the year	4,754,468	1,592,679
Balance transferred from acquirees (Note 34)	-	3,895,797
Charged for the the year *	2,791,088	1,494,503
Paid during the year	<u>(3,186,677)</u>	<u>(2,228,511)</u>
	<u>4,358,879</u>	<u>4,754,468</u>

* Zakat expense components:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Charged for the year	2,791,088	2,890,213
Zakat assessment for the year 2020	-	53,292
Provision used	-	<u>(1,449,002)</u>
	<u>2,791,088</u>	<u>1,494,503</u>

21. REVENUE

	<u>31 July 2023</u>	<u>31 July 2022</u>
Tuition fees	669,273,835	588,332,484
Tuition fees discounts	<u>(78,615,169)</u>	<u>(106,531,882)</u>
Training courses revenue (Note 32)	37,714,006	29,798,370
Recruitment revenue (Note 32)	18,868,653	52,725,107
Bus subscription revenue	17,593,905	11,134,080
Others	<u>1,206,277</u>	<u>2,035,252</u>
	<u>666,041,507</u>	<u>577,493,411</u>

22. GOVERNMENT SUBSIDY INCOME

	<u>31 July 2023</u>	<u>31 July 2022</u>
Subsidies by Human Resources Development Fund "HADAF"	11,642,270	12,400,423
Subsidies by Ministry of Education	2,273,825	1,912,003
Government subsidy income (Note 16)	<u>399,200</u>	<u>516,644</u>
	<u>14,315,295</u>	<u>14,829,070</u>

- The Ministry of Education grants the Group an annual subsidy according to the regulations specified by the Ministry and mainly linked to the budget allocated for that by the Ministry and the number of students enrolled in each school.
- The subsidyby Human Resources Development Fund (HADAF) is granted according to the agreement signed between the Group and the Fund based on a lump sum amount of the monthly salary for a certain period for the Saudi employees covered by the agreement.

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23. COST OF REVENUE

	<u>31 July 2023</u>	<u>31 July 2022</u>
Salaries and equivalents	307,682,742	295,964,063
Depreciation of right-of-use assets (Note 7)	53,883,470	55,023,742
Depreciation of property, plant and equipment (Note 5)	26,045,350	23,704,343
Government fees	18,466,405	17,041,111
Medical insurance	13,758,231	12,430,280
Bus rental for student transportation	7,790,831	4,534,191
Electricity and water	7,705,026	4,735,841
Repair and maintenance	6,257,334	6,508,474
Training course expenses	5,802,374	3,105,510
Textbooks	5,451,060	4,911,673
Students' activity fees	4,581,938	3,321,157
Stationery and prints	4,269,849	2,657,823
Amortization of intangible assets (Note 6)	2,551,885	2,551,885
Low-value leases (Note 7)	2,403,946	4,284,781
Security guards rent	2,062,732	1,848,820
Hired labor	1,983,419	3,729,913
Telephone, mail and internet	707,894	854,219
Hospitality and Cleaning	403,769	2,366,330
Adjustments to Lease liabilities (Note 7)	357,804	1,927,869
Provision for slow-moving inventory	-	135,554
Others	12,951,776	7,063,884
	<u>485,117,835</u>	<u>458,701,463</u>

24. MARKETING EXPENSES

Those expenses represent the value of the marketing and promotion campaigns through the electronic platforms and the outdoor fixed and digital billboards that the Group uses to promote the services that the Group provides.

25. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>31 July 2023</u>	<u>31 July 2022</u>
Salaries and equivalents	48,547,488	37,059,435
Bank fees	6,389,010	4,221,185
Professional and consulting fees	3,461,185	3,508,053
Government fees	3,236,752	2,997,172
Technical and computer support expenses	3,099,466	1,823,490
Depreciation of property, plant and equipment (Note 5)	2,220,760	2,502,913
Medical treatment and insurance	1,280,207	2,063,067
Stationery and prints	1,020,339	450,666
Electricity and water	651,498	365,064
Hospitality and Cleaning	561,974	440,018
Amortization of intangible assets (Note 6)	470,932	471,211
Telephone, mail and internet	173,631	156,506
Repair and maintenance	30,396	905,307
Others	3,227,108	5,230,962
	<u>74,370,746</u>	<u>62,195,049</u>

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26. GAINS ON THE ACQUISITION OF SUBSIDIARY

On August 8, 2021, Ataa Educational Company acquired Arabian Education and Training Group Holding Company (“the Company”) and its subsidiaries, effective from 1 August 2021. The acquisition resulted in gains of SAR 52.5 million, which represent the difference between the net assets of Arabian Education and Training Group Holding Company Company (“the acquiree”) and the acquisition-date purchase price

During the financial year 2021/2022, a purchase price allocation was performed by an independent appraiser, which resulted in valuation differences of land and buildings amounting to SAR 77.64 million, (Note 34).

	<u>Note</u>	<u>31 July 2023</u>	<u>31 July 2022</u>
Net assets of the Arabian Education and Training Group Holding Company at the acquisition date		-	190,495,761
Land and buildings revaluation differences owned by the Arabian Education and Training Group Holding Company	34	-	77,637,821
Total	34	-	268,133,582
Deduct: acquisition-date purchase value	34	-	(230,012,582)
	34	-	38,121,000

27. OTHER INCOME

	<u>31 July 2023</u>	<u>31 July 2022</u>
Income from operating leases	10,138,329	5,368,458
Income from the sale of books	6,815,040	6,724,743
Gains on derecognition of leases (Note 7)	2,204,880	-
Lease concession (Note 7)	-	1,238,710
Income from the sale of uniform	539,442	1,364,455
Others	2,478,127	1,795,455
	22,175,818	16,491,821

28. FINANCE COSTS

	<u>31 July 2023</u>	<u>31 July 2022</u>
Finance costs of borrowings from local banks (Note 15-2)	28,180,865	17,212,765
Interest lease liabilities for right-of-use assets (Note 7)	25,114,420	22,974,313
Interest on employee end-of-service benefits obligations (Note 17-2)	2,173,209	1,963,414
Finance cost of borrowings from the Ministry of Finance (Note 15-1)	399,200	516,644
	55,867,694	42,667,136

29. BASIC AND DILUTED EARNINGS PER SHARE - Restated

Basic earnings per share was calculated by dividing the income for the year attributable to the shareholders of the company by the weighted average number of ordinary shares outstanding at the end of the year, which amounted to 42,087,215 (31 July 2022: 42,087,215). Diluted earnings per share are the same as basic earnings per share as the group has no dilutive instruments.

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29. BASIC AND DILUTED EARNINGS PER SHARE - Restated (CONTINUED)

	<u>31 July 2023</u>	<u>31 July 2022 (Restated)</u>
Income for the year attributable to shareholders of the company	67,786,016	70,615,973
Weighted average number of common stocks for the purpose of basic earnings per share	<u>42,087,215</u>	<u>42,087,215</u>
	<u>1.61</u>	<u>1.68</u>

The earning per share was modified for the comparative year, as it was calculated in the comparative period on the basis of the weighted average of the number of shares after the company's capital increased On June 29, 2022 AD, after the acquisition of Nabaa Educational Company (Note 12-1) 'subsidiary', and accordingly, the earning per share has been modified Given that the acquisition took place as of August 1, 2021 AD, as the aquireid company in its financial statements the profits and losses of the company It is acquired from the date of acquisition.

30. CONTINGENCIES AND CAPITAL COMMITMENTS

	<u>31 July 2023</u>	<u>31 July 2022</u>
Suppliers	-	4,677,788
Capital commitments - projects under construction	<u>72,381,864</u>	<u>2,214,115</u>
	<u>72,381,864</u>	<u>6,891,903</u>

- The following are the amounts of leases not recognized as right-of-use assets:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Less than one year	660,000	1,988,956
More than one year	-	-
	<u>660,000</u>	<u>1,988,956</u>

- There are no lease payments due for more than one year because the company plans to have all the educational buildings either owned or leased under long-term lease contracts in the coming period, and as for the employees' housing, cash housing allowances will be granted to the employees instead of providing them with residential premises at the company's expense.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's main financial liabilities include lease liabilities for right-of-use assets, borrowings, deferred government subsidy income, unearned revenue, trade payables, accrued expenses and other current liabilities and due to a related parties. The Group's main financial assets comprise of accounts receivable, prepaid expenses and other current assets due from related party, and cash and cash equivalents. The main financial risks for the Group's financial instruments are market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. Management reviews and approves policies to manage those risks.

31-1 Market Risk

It is the risk of fluctuation in a financial instrument due to changes in market prices, such as foreign exchange rates and interest rates, which affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. There was no change in the Group's exposures, or the way market risk is managed and measured.

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31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

31-1 Market Risk (Continued)

31-1-1 Interest Rate Risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in prevailing interest rates on the Group's financial position and cash flows. The Group is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly consist of bank facilities and borrowings. Management mitigates interest rate risk by monitoring changes in interest rates. Management monitors the changes in interest rates and believes that the cash flow risk and fair value interest rate risk of the Group are not significant.

The receivables and payables of the Group that are measured at amortized cost are not subject to interest rate risk as defined in International Financial Reporting Standard (IFRS) 7, because their carrying value or future cash flows do not change due to changes in market interest rates. Therefore, the Group is not exposed to interest rate risk on fair value.

The Group's exposure to interest rate risk is as follows:

	<u>31 July 2023</u>	<u>31 July 2022</u>
Borrowings with variable interest rate	490,552,532	480,808,635
Borrowings with fixed interest rate	6,571,587	9,979,987

- All existing credit facilities are entered into with a governmental entity and local banks and Sharia-compliant.

Sensitivity Analysis

The following table shows the income sensitivity to reasonably possible changes in interest rates, keeping all other variables constant. There is no direct impact on the Group's equity.

	Consolidated Statement of profit or loss			
	<u>31 July 2023</u>		<u>31 July 2022</u>	
	<u>Increase 100 points</u>	<u>Reduce 100 points</u>	<u>Increase 100 points</u>	<u>Reduce 100 points</u>
Borrowings with variable interest rate	4,905,525	(4,905,525)	4,808,086	(4,808,086)
Changes in cash flows	4,905,525	(4,905,525)	4,808,086	(4,808,086)

- There is no impact on the statement of changes in equity.

31-1-2 Foreign Currency Risk

Foreign currency risk is the risk of fluctuation in the value of financial instruments due to changes in foreign exchange rates. Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than the Saudi Arabian Riyal. The Group's management believes that it is not exposed to foreign currency risk because the majority of the Group's transactions are in Saudi Riyals and the Group believes that its exposure to foreign currency risk is limited as the Saudi Riyal is pegged to the US Dollar. Management monitors the risks of exchange rate volatility closely and continuously, and based on its experience and market feedback, management does not believe that it is necessary to hedge against foreign currency risk as most of the foreign currency risks are relatively limited in the medium term.

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31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**31-2 Credit Risk**

Credit risk is the risk that one party will fail to meet its obligations, resulting in financial losses for the other party. The Group does not have a significant concentration of credit risk. Cash and cash equivalents are deposited with local banks with high credit ratings. Receivables and other receivables are mainly due from customers in the local market and are shown at their recoverable values. The Group has policies in place to reduce its exposure to credit risk. The carrying values of financial assets represent the maximum credit risk exposure.

The following are the credit ratings of the banks that the Group deals with and their balances as of 31 July 2023:

<u>Credit Rating</u>	<u>31 July 2023</u>	<u>31 July 2022</u>
A1	12,647	30,881,155
A2	38,860,987	17,752,535
	<u>38,873,634</u>	<u>48,633,690</u>

Account Receivables

<u>31 July 2023</u>	<u>Gross Accounts Receivable</u>	<u>ECL</u>	<u>ECL Rate</u>
Less than 1 year	70,984,585	6,202,824	9%
1 year and less than 2 years	12,844,649	1,148,532	9%
2 year and less than 3 years	7,151,050	1,262,678	18%
3 year and less than 4 years	8,310,248	2,011,219	24%
More than 4 years	7,651,103	6,373,204	83%
Total	<u>106,941,635</u>	<u>16,998,457</u>	

<u>31 July 2022</u>	<u>Gross Accounts Receivable</u>	<u>ECL</u>	<u>ECL Rate</u>
Less than 1 year	94,932,129	2,123,738	2%
1 year and less than 2 years	13,044,747	1,637,951	13%
2 year and less than 3 years	10,296,447	1,942,792	19%
3 year and less than 4 years	5,528,575	2,288,689	41%
More than 4 years	5,072,900	4,666,043	95%
Total	<u>128,874,798</u>	<u>12,659,213</u>	

- Management believes that it is able to collect the receivables because it has the students' files and the students cannot transfer to another school or leave the school without referring to the company and paying all the amounts due until the student can obtain his educational file and get a clearance from the school.
- Receivables are stated net of allowance for impairment and the provision for expected credit losses is calculated according to the simplified approach prescribed by International Financial Reporting Standard (IFRS) 9 "Financial Instruments".

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31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

31-2 Credit Risk (Continued)

Account Receivables (Continued)

- Default in the consolidated financial statements is when the counterparty fails to pay the contractual payments within four years from the due date and the reason for the decrease in the ECL rate for liabilities that exceed four years of age is due to collections in the subsequent period for balances of parents transferred from four years or more.

31-3 Liquidity Risk

It is the risk that the Group will encounter difficulty in obtaining the financing necessary to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed by regularly monitoring the adequacy of liquidity available to meet the Group's financial obligations. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and established conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table summarizes the Group's financial liabilities into relevant maturity Groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

31 July 2023	Carrying Value	Less Than 1 Year	1 Year To 5	More Than 5 Years	Undiscounted Value
Lease liabilities	548,924,457	42,220,891	216,976,647	289,726,919	801,216,088
Borrowings	497,124,119	174,276,298	267,614,579	55,233,242	498,167,732
Deferred government subsidy income	1,043,613	339,014	704,599	-	1,043,613
Unearned revenue	36,084,127	36,084,127	-	-	36,084,127
Trade payables	16,306,260	16,306,260	-	-	16,306,260
Accrued expenses and other current liabilities	72,480,431	72,480,431	-	-	72,480,431
Due to related parties	786,479	786,479	-	-	786,479
	1,172,749,486	342,493,500	485,295,825	344,960,161	1,426,084,730
31 July 2022	Carrying Value	Less Than 1 Year	1 Year To 5	More Than 5 Years	Undiscounted Value
Lease liabilities	558,146,582	54,799,655	194,119,330	309,227,597	747,020,367
Borrowings	490,788,622	122,867,861	321,920,761	46,000,000	492,231,435
Deferred government subsidy income	1,442,813	399,199	1,043,614	-	1,442,813
Unearned revenue	26,958,505	26,958,505	-	-	26,958,505
Trade payables	13,251,206	13,251,206	-	-	13,251,206
Accrued expenses and other current liabilities	30,024,394	30,024,394	-	-	30,024,394
Due to related parties	3,401,214	3,401,214	-	-	3,401,214
	1,124,013,336	251,702,034	517,083,705	355,227,597	1,314,329,934

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31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

31-4 Capital Risk Management

The Board's policy is to maintain a sufficient and strong capital base to preserve the confidence of investors, creditors, and the market and to sustain the future development of the business. The Board monitors the return on capital employed to ensure that the Group has the ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders.

The Group's capital management strategy is to maintain sufficient capital so that the debt-to-total assets ratio does not exceed 60% of total assets.

Debt is defined as long-term and short-term borrowings (Note 15):

	<u>31 July 2023</u>	<u>31 July 2022</u>
Debt (Note 15)	497,124,119	490,788,622
Total assets	<u>2,121,570,549</u>	<u>2,109,364,058</u>
Debt-to-total assets ratio	<u>23.4%</u>	<u>23.3%</u>

31-5 Fair Value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. Fair value measurement assumes that the sale of the asset or transfer of the liability will take place either:

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

The principal or most advantageous market must be accessible by the group.

The fair value of an asset or liability is measured using the assumptions that market participants use when pricing the asset or liability, assuming that market participants act in their best economic interests.

The fair value measurement of a non-financial asset considers the ability of market participants to generate economic benefits by using the asset for the best benefit, or by selling it to another market participants for the best benefit.

Fair value measurement of a non-financial asset considers the ability of market participants to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate to circumstances and conditions and have sufficient data to measure fair value, maximize the use of relevant observable inputs, and minimize the use of unobservable inputs.

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31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

31-5 Fair Value (Continued)

All assets and liabilities whose fair values are measured or disclosed at their fair values in the consolidated financial statements are categorized within the fair value hierarchy set out below based on the lowest level inputs that is significant to the fair value measurement as a whole:

- Level 1: Prices that are quoted in active markets for identical assets or liabilities.
- Level 2: Other valuation techniques in which the lowest level of significant inputs is observable directly or indirectly to the fair value measurement.
- Level 3: Other valuation techniques in which the lowest level of inputs that are significant are not observable to the fair value measurement.

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

The carrying amount of the financial assets that cannot be measured at fair value approximates their fair value. The financial liabilities have been measured at amortized cost, which is a reasonable approximation of their fair value.

32- SEGMENT REPORTING

The Group's main activity is to establish private and international schools, kindergartens, primary, intermediate and secondary schools for boys and girls in Riyadh region, mediating in employing Saudis, online recruitment agencies, activities of temporary employment agencies for expatriate labor services, providing other human resources, owning, managing, operating and establishing training institutes and higher training institutes. The information relating to the Group's operating segments shown below is the one that is regularly raised to the Group's operational decision-makers and stated as follows:

- Education Segment: This segment is engaged in establishing and managing private, international, French and Indian schools.
- Training Segment: This segment is engaged in creating and operating training institutes.
- Recruitment Segment: This segment is engaged in mediating in employing Saudis and online recruitment agencies.

	31 July 2023			
	Education Segment	Training Segment	Recruitment Segment	Total
Revenue (Note 21)	609,458,848	37,714,006	18,868,653	666,041,507
Government subsidy income (Note 22)	11,222,599	840,850	2,251,846	14,315,295
Cost of revenue (Note 23)	<u>(422,831,852)</u>	<u>(33,009,106)</u>	<u>(29,276,877)</u>	<u>(485,117,835)</u>
Gross profit	197,849,595	5,545,750	(8,156,378)	195,238,967
Property, plant and equipment (Note 5)	796,271,486	38,055,854	1,206,245	835,533,585
Depreciation of property, plant and equipment (Note 5)	24,576,619	1,815,042	1,874,449	28,266,110

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32. SEGMENT REPORTING (CONTINUED)

	31 July 2022			
	Education Segment	Training Segment	Recruitment Segment	Total
Revenue (Note 21)	494,969,934	29,798,370	52,725,107	577,493,411
Government subsidy income (Note 22)	11,053,194	512,215	3,263,661	14,829,070
Cost of revenue (Note 23)	(385,144,681)	(25,806,780)	(47,750,002)	(458,701,463)
Gross profit	120,878,447	4,503,805	8,238,766	133,621,018
Property, plant and equipment (Note 5)	763,702,153	35,399,213	5,640,640	804,742,006
Depreciation of property, plant and equipment (Note 5)	22,064,142	1,837,834	2,305,280	26,207,256

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

	31 July 2023			
	Education Segment	Training Segment	Recruitment Segment	Total
Timing of Revenue Recognition:				
At some point in time	-	37,714,006	18,868,653	56,582,659
Over time period	609,458,848	-	-	609,458,848
Total revenue	609,458,848	37,714,006	18,868,653	666,041,507

	31 July 2022			
	Education Segment	Training Segment	Recruitment Segment	Total
Timing of Revenue Recognition:				
At some point in time	-	29,798,370	52,725,107	82,523,477
Over time period	494,969,934	-	-	494,969,934
Total revenue	494,969,934	29,798,370	52,725,107	577,493,411

33. NON-CASH TRANSACTIONS

	Note	31 July 2023	31 July 2022
Addition of right-of-use assets against lease liabilities	7	78,023,156	9,399,065
Actuarial losses on employee end-of-service benefits re-measurement	17-2	2,191,892	2,000,360
Transferred from investment property to property, plant and equipment	5	-	37,419,722

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34. SUBSIDIARY ACQUISITION

The acquisition was accounted for using the acquisition method in accordance with International Financial Reporting Standard 3 - Business Combinations (“the Standard”) with Atta Educational Company being the acquirer and Arabian Education and Training Group Holding being the acquirees. In accordance with the Standard, Atta Educational Company allocated the purchase consideration to the identifiable assets and liabilities and the purchase price allocation was included in the consolidated financial statements for the year ended 31 July 2022 as follows.

In August 2021, the Company acquired 100% of the share capital of Arabian Education and Training Group Holding effective from 1 August 2021, in exchange for paying an amount of SAR 138 million, according to the sale contract signed on 8 August 2021, and thus the Company gained control over Arabian Education and Training Group Holding. The activity of Arabian Education and Training Group Holding is as described in (Note 1-6). It is qualified as a business entity as defined in International Financial Reporting Standard 3. Arabian Education and Training Group Holding was acquired to develop the Group’s operations.

On 13 December 2021, a tripartite agreement was signed between Atta Educational Company “the issuing company” and Arabian Education and Training Group Holding “as the buyer” and the partners in Nabaa Educational Company “as the sellers” to sell Nabaa Educational Company to Arabian Education and Training Group Holding through issuing shares to the partners in Nabaa Educational Company in Atta Educational Company at SAR 44.08 per share. Where 2,087,215 shares were issued with a total value of SAR 92.012 million. The book value of the identifiable assets and liabilities acquired from Arabian Education and Training Group Holding amounted to SAR 190.5 million and the purchase price allocation was executed during the year ended 31 July 2022 by an independent appraiser which resulted in valuation differences for land and buildings amounting to SAR 77.637 million, and accordingly, gains amounting to SAR 38.121 million resulted, which represent the amounts less than the net identifiable assets acquired on the acquisition date and transferred to the Group (“the acquirer”) and the resulting gains from the acquisition were settled on the consolidated statement of profit or loss.

The legal procedures related to the purchase of Arabian Education and Training Group Holding Company were completed during the last year, and the non-objection approval from the General Authority for Competition was obtained.

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34. SUBSIDIARY ACQUISITION (CONTINUED)

The following are the assets and liabilities recognized as a result of the acquisition:

	<u>Notes</u>	<u>Acquired Assets (Restated Note 36)</u>
Propert, plant and equipment	5	178,452,697
Land and buildings revaluation differences	5/26	77,637,821
Intangible Assets (Restated Note 36-1)	6	182,442,506
Right-of-use assets	7	250,155,132
Inventory		4,075,096
Accounts receivable		28,956,499
Prepaid expenses and other current assets		13,718,374
Due from related parties		40,250
Cash and cash equivalents		35,000,823
Lease liabilities for right-of-use assets	7	(265,499,791)
Borrowings	15	(127,687,630)
Deferred government subsidy income	16	(59,576)
Employee end-of-service benefits	17-2	(22,771,063)
Unearned revenue		(7,156,195)
Trade payables		(9,262,608)
Accrued expenses and other current liabilities		(16,456,063)
Zakat provision	20-2	(3,895,797)
Due to related parties		(3,192,551)
The sum of the identifiable assets and liabilities acquired		314,497,924
Non-controlling interests (Restated Note 36-1)		(46,364,342)
Net identifiable assets and liabilities acquired		268,133,582
Gains on the subsidiary acquisition	26	(38,121,000)
Total		230,012,582
<u>Net cash used as a result from the acquisition</u>		
Accrued amounts		230,012,582
Cash and cash equivalents		(35,000,823)
Total		195,011,759

35. AQUISITION OF NON-CONTROLLING INTEREST

On 4 Ramadan 1444 AH corresponding to 26 March 2023, Arabian Education and Training Group Holding Company signed an acquisition agreement with the non-controlling parties of Jasmine International Company to acquire 100% of the company's capital as of 1 August 2022 for a total amount of SAR 18,360 million and the legal procedures related to the acquisition of the company were completed and the approval of General Authority for Competition was obtained.

On 2 Muharram 1445 AH corresponding to 20 July 2023, the Arabian Education and Training Group Holding Company signed two acquisition agreements with the non-controlling parties of Jeel Al Majd International Company and Al-Alsun International Private Schools Company to acquire 100% of two companies' capital for a total amount of SAR 42,166 million (SAR 3.85 million and SAR 38.32 million, respectively). The legal procedures related to the acquisition of the two companies were completed and the approval of the General Authority for Competition was obtained on 1 October 2023 and 11 October 2023 respectively.

	<u>31 July 2023</u>	<u>31 July 2022</u>
Consideration paid to Non-Controlling Interest -	60,526,000	-
Net book value of Non-Controlling Interest -	(2,327,418)	-
Difference recognized in retained Earnings	58,198,582	-

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36. ADJUSTMENTS AND RECLASSIFICATIONS OF COMPARATIVE YEAR

The adjustments and reclassifications of the balances for the financial year ended 31 July 2022 are as follows:

36-1 Consolidated Statement of Financial Position

<u>Item</u>	<u>Balance before adjustment</u>	<u>adjustments debit/(credit)</u>	<u>Reclassifications debit/(credit)</u>	<u>Balance after adjustment</u>	<u>Comment</u>
Intangible Assets:	621,524,338	(18,228,077)	-	603,296,261	
Goodwill	581,088,182	(6,805,647)	-	574,282,535	Unifying the policy for treating non-controlling interests among the Group companies
Trademark	25,090,710	(11,422,430)	-	13,668,280	
Non-controlling interest	(78,916,954)	18,228,077	-	(60,688,877)	

The impact of this adjustment on the acquired assets as of 31 July 2022 appeared and the balances of the statement of financial position as of 31 July 2021 were not adjusted because the acquisition of Arabian Education and Training Group Holding Company was considered effective from 1 August 2021 (Note 26, 34).

36-2 Consolidated Statement of Profit or Loss

<u>Item</u>	<u>Balance before adjustment</u>	<u>adjustments (debit)/credit</u>	<u>Reclassifications (debit)/credit</u>	<u>Balance after adjustment</u>	<u>Comment</u>
Cost of revenue	(460,370,365)	-	1,668,902	(458,701,463)	Reclassification of interest on employee end-of-service benefits obligations under finance cost.item
General and administrative expenses	(62,489,561)	-	294,512	(62,195,049)	
Finance costs	(40,703,722)	-	(1,963,414)	(42,667,136)	

36-3 Consolidated Statement of Cash Flows

<u>Item</u>	<u>Balance before adjustment</u>	<u>adjustments (debit)/credit</u>	<u>Reclassifications (debit)/credit</u>	<u>Balance after adjustment</u>	<u>Comment</u>
Provision for employee end-of-service benefits	12,153,073	-	(12,153,073)	-	Reclassification of interest on end-of-service benefits obligations within financing cost.
Finance costs	40,703,722	-	1,963,414	42,667,136	
Current service cost of employee end-of-service benefits	-	-	10,189,659	10,189,659	

37. SUBSEQUENT EVENTS

Management believes that there are no significant subsequent events since the end of the financial year that may require disclosure or adjustment to these consolidated financial statements.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 July 2023, were approved by the Board of Directors on 11 Rabi Al-Akhar 1445 AH corresponding to 26 October 2023 AD.