

ATAA EDUCATIONAL COMPANY
(Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION(UNAUDITED)
For the three-month and six-month periods ended 31 January 2024
And Independent Auditor's Review Report

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the three-month and six-month periods ended 31 January 2024

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

To the Shareholders of Ataa Educational Company
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ataa Educational Company ("the Company") and its subsidiaries (together "the Group") as of January 31, 2024 and the related interim condensed consolidated statement of profit or loss and other comprehensive income,¹ for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards 34 – "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Other matter

The Group's interim condensed consolidated financial information for the three and six-month periods ending on January 31, 2023 was reviewed by another auditor, who issued an unmodified conclusion on this interim condensed consolidated financial information on Shaban 7, 1444 H, corresponding to March 9, 2023. The group's interim condensed consolidated financial information for the three-month period ending on October 31, 2023 was reviewed by another auditor, who issued an unmodified conclusion on this interim condensed consolidated financial information on Jumada al-Akhir 6, 1445 H, corresponding to December 19, 2023. In addition, the Group's consolidated financial statements for the year ending July 31, 2023 were reviewed by another auditor, who issued an unmodified opinion on these consolidated financial statements on Rabi' al-Thani 18, 1445 H, corresponding to November 2, 2023.

RSM Allied Accountants Professional Services

Mohamed Bin Farhan Bin Nader

License No 435

Riyadh, Saudi Arabia

February 28, 2024 (Shaban 18, 1445)



ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As of 31 January 2024

(All amounts in SAR unless otherwise stated)

	Note	31 January 2024 (Unaudited)	31 July 2023 (Audited -restated)	1 August 2022 (Audited -restated)
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	888,341,957	835,533,585	804,742,006
Right-of-use assets		479,692,233	483,702,977	497,472,930
Intangible assets		26,180,576	26,608,055	29,630,872
Goodwill		535,544,389	535,544,389	535,544,389
Total Non-Current Assets		1,929,759,155	1,881,389,006	1,867,390,197
Current Assets				
Inventory		7,024,884	6,406,743	4,002,557
Prepayments and other current assets		74,409,345	49,218,978	34,337,592
Due from a related party		-	-	336,110
Accounts receivable	5	83,624,259	106,941,635	116,215,585
Cash and cash equivalents		57,352,067	39,493,187	48,961,017
Total Current Assets		222,410,555	202,060,543	203,852,861
TOTAL ASSETS		2,152,169,710	2,083,449,549	2,071,243,058
EQUITY AND LIABILITIES				
EQUITY				
Share capital	7	420,872,150	420,872,150	420,872,150
Share premium		276,786,861	276,786,861	276,786,861
Statutory reserve		44,723,063	44,723,063	37,944,461
Actuarial reserve		(12,175,112)	)12,175,112(	(9,919,614)
Retained earnings		43,775,214	56,562,366	95,840,749
Equity attributable to shareholders of the Parent Company		773,982,176	786,769,328	821,524,607
Non-controlling interest		61,533,296	60,045,665	60,688,877
TOTAL EQUITY		835,515,472	846,814,993	882,213,484
LIABILITIES				
Non-Current Liabilities				
Borrowings	8	361,626,844	322,847,821	367,920,761
Lease liabilities for right-of-use assets		496,279,349	506,703,566	503,346,927
Deferred government subsidy income		566,385	704,599	1,043,614
Employee end-of-service benefits		61,162,861	59,526,191	60,261,770
Total Non-Current Liabilities		919,635,439	889,782,177	932,573,072
Current Liabilities				
Trade payables		12,314,422	16,306,260	13,251,206
Due to related parties	6	310,231	786,479	3,401,214
Borrowings	8	144,855,995	174,276,298	122,867,861
Lease liabilities for right-of-use assets		41,145,149	42,220,891	54,799,655
Deferred government subsidy income		307,720	339,014	399,199
Deferred revenue		114,677,015	36,084,127	26,958,505
Accrued expenses and other current liabilities		78,060,356	72,480,431	30,024,394
Zakat provision	9	5,347,911	4,358,879	4,754,468
Total Current Liabilities		397,018,799	346,852,379	256,456,502
TOTAL LIABILITIES		1,316,654,238	1,236,634,556	1,189,029,574
TOTAL EQUITY AND LIABILITIES		2,152,169,710	2,083,449,549	2,071,243,058

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 16 form an integral part of these interim condensed consolidated financial statements.

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

INTERIM CONSENSUED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month and six-month periods ended 31 January 2024

(All amounts in SAR unless otherwise stated)

	Note	For the three-month period ended 31 January		For the six-month period ended 31 January	
		2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Revenue	13	166,519,623	166,830,478	337,018,106	334,617,963
Government subsidy income	13	3,698,416	3,691,733	6,942,694	7,431,458
Cost of revenue	13	(130,728,788)	(134,035,010)	(249,072,415)	(255,596,690)
Gross profit		39,489,251	36,487,201	94,888,385	86,452,731
Marketing expenses		(953,723)	(2,240,681)	(3,394,250)	(3,936,536)
General and administrative expenses		(10,872,606)	(15,879,919)	(28,078,752)	(32,795,777)
Provision for expected credit loss	5	(2,457,022)	416,796	(5,234,643)	(1,351,477)
Operating profit		25,205,900	18,783,397	58,180,740	48,368,941
Other income		1,375,223	3,959,538	7,893,869	9,826,894
Capital (losses) / gains		36,194	8,990	(521,993)	56,961
Finance costs	10	(14,333,912)	(11,261,606)	(29,192,677)	(21,696,162)
Net profit for the period before zakat		12,283,405	11,490,319	36,359,939	36,556,634
Zakat	9	(681,754)	(665,296)	(1,363,508)	(1,427,296)
Net profit for the period attributable to:		11,601,651	10,825,023	34,996,431	35,129,338
Shareholders of the Company		11,457,541	9,551,648	33,508,800	30,612,261
Non-controlling interest		144,110	1,273,375	1,487,631	4,517,077
		11,601,651	10,825,023	34,996,431	35,129,338
Basic and diluted earnings per share:					
Basic and diluted earnings per share as per net income for the period attributable to the shareholders of the Company	11	0.27	0.23	0.80	0.73



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 16 form an integral part of these interim condensed consolidated financial statements.

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 31 January 2024

(All amounts in SAR unless otherwise stated)

	For the three-month period ended 31 January		For the six-month period ended 31 January	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Net profit for the period	11,601,651	10,825,023	34,996,431	35,129,338
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Gain on remeasurement of employee benefit obligations	-	-	-	-
Total other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	11,601,651	10,825,023	34,996,431	35,129,338
Total comprehensive income for the period attributable to:				
Shareholders of the Company	11,457,541	9,551,648	33,508,800	30,612,261
Non-controlling interest	144,110	1,273,375	1,487,631	4,517,077
	11,601,651	10,825,023	34,996,431	35,129,338



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 16 form an integral part of these interim condensed consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six-month period ended 31 January 2024
(All amounts in SAR unless otherwise stated)

	Share Capital	Share Premium	Statutory Reserve	Actuarial Reserve	Retained Earnings	Equity Attributable to Shareholders of The Parent Company	Non-Controlling Interest	Total Equity
For the six-month period ended 31 January 2023								
Balance as of 1 August 2022 (Previously stated)	420,872,150	276,786,861	41,756,561 (3,812,100)	)9,919,614(	130,149,649 (34,308,900)	859,645,607)38,121,000(	78,916,954)18,228,077(	938,562,561)56,349,077(
Balance as of 1 August 2022 after restatement (audited)	420,872,150	276,786,861	37,944,461	)9,919,614(	95,840,749	821,524,607	60,688,877	882,213,484
Net profit for the period	-	-	-	-	30,612,261	30,612,261	4,517,077	35,129,338
Other comprehensive income for the period	-	-	-	-	(42,087,215)	(42,087,215)	-	(42,087,215)
Total comprehensive income	-	-	-	-	30,612,261	30,612,261	4,517,077	35,129,338
Dividends	-	-	-	-	(42,087,215)	(42,087,215)	-	(42,087,215)
Balance as of 31 January 2023 (Restated - Unaudited)	420,872,150	276,786,861	37,944,461	)9,919,614(	84,365,795	810,049,653	65,205,954	875,255,607
For the six-month period ended 31 January 2024								
Balance as of 31 July 2023 (Previously stated)	420,872,150	276,786,861	48,535,163 (3,812,100)	)12,175,112(	90,871,266 (34,308,900)	824,890,328)38,121,000(	60,045,665	884,935,993)38,121,000(
Balance as of 31 July 2023 after restatement (audited)	420,872,150	276,786,861	44,723,063	)12,175,112(	56,562,366	786,769,328	60,045,665	846,814,993
Net profit for the period	-	-	-	-	33,508,800	33,508,800	1,487,631	34,996,431
Other comprehensive income for the period	-	-	-	-	(46,295,952)	(46,295,952)	-	(46,295,952)
Total comprehensive income	-	-	-	-	33,508,800	33,508,800	1,487,631	34,996,431
Dividends	-	-	-	-	(46,295,952)	(46,295,952)	-	(46,295,952)
Balance as of 31 January 2024 (Unaudited)	420,872,150	276,786,861	44,723,063	)12,175,112(	43,775,214	773,982,176	61,533,296	835,515,472

Chief Financial Officer

Adel Nader Desouki

Chief Executive Officer

Fahd bin Abdulaziz Al-Tuwajiri

Chairman

Tariq bin Othman Al-Qasabi

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 October 2023

(All amounts in SAR unless otherwise stated)

	Note	For the three-month period ended 31 January	
		2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period before zakat		36,359,939	36,556,634
Adjustments for:			
Depreciation of property, plant and equipment		14,913,619	13,823,356
Losses/(gains) on disposal of property and equipment		521,993	(56,961)
Amortization of intangible assets		1,413,644	1,487,969
Depreciation of right-of-use assets		25,427,991	26,888,730
Losses on derecognition of lease liabilities		371,234	-
Adjusted gain on lease agreements of right-of-use assets		-	(21,187)
Provision for expected credit loss	5	5,234,643	1,351,477
Finance costs	10	29,192,677	21,696,162
Provision for employee end-of-service benefits		7,893,597	7,356,397
		<u>121,329,337</u>	<u>109,082,577</u>
Changes in operating assets and liabilities:			
Inventory		(618,141)	(1,689,430)
Prepayments and other current assets		(25,190,367)	(11,791,977)
Due from related parties		-	264,973
Accounts receivable		18,082,733	22,263,282
Trade payables		(3,991,838)	378,327
Due to related parties		(476,248)	(583,879)
Accrued expenses and other current liabilities		(40,716,027)	(1,315,459)
Deferred revenue		78,592,888	43,806,483
Cash generated from operating activities		<u>147,012,337</u>	<u>160,414,897</u>
Employee end-of-service benefits paid		(6,256,927)	(4,673,445)
Zakat paid	9	(374,476)	(2,838,316)
Net cash generated from operating activities		<u>140,380,934</u>	<u>152,903,136</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property and equipment		(68,285,515)	(26,444,643)
Proceeds from disposal of property and equipment		41,536	56,990
Additions of intangible assets		(986,166)	-
Net cash used in investing activities		<u>(69,230,149)</u>	<u>(26,387,653)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	8	185,166,623	99,000,000
Repayment of borrowings	8	(191,807,788)	(136,185,717)
Lease liabilities paid		(33,288,441)	(43,827,591)
Deferred government subsidy income		(169,508)	(199,600)
Dividends paid		-	(41,940,538)
Finance costs paid		(13,192,791)	(6,777,307)
Net cash used in financing activities		<u>(53,291,905)</u>	<u>(129,930,753)</u>
Net change in cash and cash equivalents		<u>17,858,880</u>	<u>(3,415,270)</u>
Cash and cash equivalents at beginning of the period		<u>39,493,187</u>	<u>48,961,017</u>
Cash and cash equivalents at end of the period		<u>57,352,067</u>	<u>45,545,747</u>
Non-cash transactions			
		31 January 2024	31 January 2023
		(Unaudited)	(Unaudited)
Addition of right-of-use assets against lease liabilities		-	59,019,491
Unpaid dividends against accrued expenses and other current liabilities		46,295,952	146,677

Chief Financial Officer

Adel Nader Desouki



Chief Executive Officer

Fahd bin Abdulaziz Al-Tuwaijri



Chairman

Tariq bin Othman Al-Qasabi



ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the three-month and six-month periods ended 31 January 2024

(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 28 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 2019G after obtaining the approval of the Capital Market Authority in Kingdom of Saudi Arabia.

The Company is principally engaged in the establishment, ownership, management and operating national 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, developing, managing existing schools and educational and training facilities, 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 articles of association.

The attached interim condensed consolidated financial information includes the accounts of the Company, its branches and subsidiaries as follows:

<u>Branch Name</u>	<u>CR No.</u>
Al-Rowad Schools - Al 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
New 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 - Al Rawda branch	1010352008
Al Sulaymaniyah International Private School - Sulaymaniyah District	1010196919
Ataa Educational Company for Maintenance and Operation - Al Izdihar district	1010452144

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 31 January 2024

(All amounts in SAR unless otherwise stated)

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 October 2023</u>	<u>31 July 2023</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%	100%
Jasmine International Company (6)	KSA	LLC	100%	100%
Jeel Al Majd International Private Schools Company (6)	KSA	LLC	100%	100%
Academic Company for Educational Services (6)	KSA	CJSC	52.2%	52.2%

(1) The Nokhbah Educational 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. 1010231261 on 26 Rabi' I 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, in Al Nahda District, under commercial registration No. 1011010525 in Riyadh on 15 Jumada I 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.

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 31 January 2024

(All amounts in SAR unless otherwise stated)

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’ II 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’ II 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 under 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 the holding companies, holding industrial property rights to subsidiaries of the holding companies and leasing industrial property rights to subsidiaries of the 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.

ATAA EDUCATIONAL COMPANY

(Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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2. BASIS OF PREPARATION AND MEASUREMENT

2-1 Statement of compliance

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA). should be read in conjunction with the Group's financial statements as of and for the year ended 31 July 2023. As it does not include all the information required to prepare a complete set of financial statements, it nevertheless mentions accounting policies and explanatory notes to explain significant events and transactions to understanding changes in the Group's financial position and performance since the Group's last annual financial statements.

The results for the six-month period ended 31 January 2024 are not necessarily indicative of the results that can be expected for the financial year ended 31 July 2024.

2-2 Basis of consolidation

The interim consolidated financial information includes the financial information of Atta Educational Company, its branches and subsidiaries (the Group) as described in Note (1).

Subsidiaries are entities controlled by the Group. Control exists 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 reassesses 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 information from the date that the Group obtains control until the date the Group ceases to control the subsidiary.

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2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-2 Basis of consolidation (Continued)

Consolidated profit or loss and each item of other comprehensive income are attributable to shareholders of the Group's Parent Company and non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All inter-Group assets 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.

2-3 Basis of measurement

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

2-4 Going Concern

As of 31 January 2024, the Group's current liabilities exceeded its current assets by SAR 174.6 million (31 July 2023: SAR 144.8 million), which was mainly related to borrowings, lease liabilities for right-of-use assets and deferred revenue of SAR 300.7 million as the revenues received in advance during the coming periods are settled with the balances of receivables according to the dues of tuition fees and despite the deficit in working capital, the Group has an operating cash flow of SAR 140.4 million, which is an indication of the Group's ability to meet its obligations when they fall due. The Group's management monitors cash management and analyzes liquidity risks intensively and is confident of its ability to close the deficit in working capital, and accordingly, the accompanying interim condensed consolidated financial information has been prepared on a going concern basis.

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2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-5 Functional and presentation currency

This interim condensed consolidated financial information is presented in SAR, which is the Group's functional and presentation currency. Figures are rounded off to the nearest Riyal unless otherwise stated.

2-6 Significant accounting judgments, estimates and assumptions:

The preparation of these interim condensed consolidated financial information required management to make judgments, estimates and assumptions that affect the application of policies and reported amounts, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable. 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 affected.

The significant estimates made by management in applying the Company's accounting policies and key sources of estimation uncertainties were similar to those described in the last annual financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the interim condensed consolidated financial information is consistent with the policies followed in preparing the Company's annual financial information for the year ended 31 July 2023.

3-1 New standards, amendments to standards and interpretations

There are no new standards issued, however, a number of amendments to the standards are effective as of 1 January 2023, which are described in the Group's annual consolidated financial information but have no significant impact on the interim condensed consolidated financial statements. The Group is not required to change its accounting policies or make retrospective adjustments as a result of adopting these revised standards.

The following are new standards and amendments to standards applicable for years beginning on or after January 1, 2024, which do not have a material impact on the interim condensed consolidated financial statements. The Group is not required to change its accounting policies or make retrospective adjustments as a result of applying these revised standards.

- Amendments to IFRS 16 – Leases on sale and leaseback.
- Amendments IAS 1 – Non-current liabilities with covenants and Classification of Liabilities as Current or Noncurrent Amendments.
- Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements.
- Amendments to IAS 27 – Lack of exchangeability.

The following are the new International Financial Reporting Standards for Sustainability Disclosure effective for annual periods beginning on or after January 1, 2024 and subject to the approval of the Saudi Organization for Chartered and Professional Accountants.

- IFRS S1, 'General requirements for disclosure of sustainability-related financial statements.
- IFRS S2, 'Climate-related disclosures,

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4. PROPERTY, PLANT AND EQUIPMENT

- As of 31 January 2024, some land and buildings amounting to SAR 187.62 million (31 July 2023: SAR 170.37 million) were pledged for certain credit facilities as described in Note (8).
- As of 31 January 2024, the projects under construction amounting to SAR 58.06 million (31 July 2023: SAR 21.4 million) are the project of an annex to the educational complex located in Al Izdihar district, building developments in educational complexes and building the educational complex for Wasat National Training and Education Company in in Al-Salam district, buildings of Alfaisal International Academy Company, These projects are expected to be completed by the end of 2024.

5. ACCOUNTS RECEIVABLE

	31 January 2024 (Unaudited)	31 July 2023 (Audited)
Accounts receivable	105,857,359	123,940,092
Less: Provision for impairment of accounts receivable	(22,233,100)	(16,998,457)
	83,624,259	106,941,635

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

	31 January 2024 (Unaudited)	31 July 2023 (Audited)
Balance at beginning of the period / year	16,998,457	12,659,213
Charged during the period / year	5,234,643	4,339,244
Balance at end of the period / year	22,233,100	16,998,457

6. RELATED-PARTY TRANSACTIONS AND BALANCES

Related-party transactions include rentals of educational complexes, expenses on behalf, salaries and remunerations and compensations and committee allowances to board members and key executives and management carried out between the Group and a shareholder, between the Group and associates, or shareholders of subsidiaries, and between the Group and board members and key executives and management during the period, 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:

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6. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Nature of Relationship	Nature of Transaction	Amount of Transaction	
			For the six -month period ended	
			31 January 2024 (Unaudited)	31 January 2023 (Unaudited)
Fawzia Al Haqbani	Shareholder in a subsidiary	Expenses on behalf	7,592	153,118
Hayat Al Shahrani	Shareholder in a subsidiary	Expenses on behalf	7,592	153,118
Dr. Ahmed bin Nasser Al Miteb	Shareholder and board	Rentals	6,319,137	7,044,000
El-Shrouk Pioneer Academy	Associate	Expenses on behalf	-	154,028
Labinat Development Holding Company	Associate	Expenses on behalf	-	15,000

6-1 Due to related parties

	31 January 2024 (Unaudited)	31 July 2023 (Audited)
Fawzia Al Haqbani	162,823	166,619
Hayat Al Shahrani	116,064	119,860
Dr. Ahmed bin Nasser Al Miteb	31,344	500,000
	310,231	786,479

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6. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

6-2 Benefits, remunerations and compensation to key management and executives

	<u>For the three-month period ended 31 January</u>		<u>For the six-month period ended 31 January</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
BOD and Committees	610,000	610,000	1,220,000	1,220,000
Key Management Personnel	1,428,792	1,767,109	2,857,583	3,534,217
	<u>2,038,792</u>	<u>2,377,109</u>	<u>4,077,583</u>	<u>4,754,217</u>

7. SHARE CAPITAL

The authorized and paid-up capital of the Group is SAR 420.87 million as of 31 January 2024 (31 July 2023: SAR 420.87 million) divided into 42,087,215 shares (31 July 2023: 42,087,215 shares) of SAR 10 each.

8. BORROWINGS

Borrowings are as follows:

8-1 Borrowing from the Ministry of Finance

The Group obtained a long-term borrowing with the Ministry of Finance totalling SAR 21.2 million to finance the contracting and 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 guaranteed against the land of staff accommodation villa in Al Rawabi District and the land located in Al Salam district totalling SAR 21.29 million (31 July 2023: SAR 21.29 million) Note (4).

Movement in the borrowing from the Ministry of Finance during the period / year is set out below:

	<u>31 January 2024</u> <u>(Unaudited)</u>	<u>31 July 2023</u> <u>(Audited)</u>
Balance at beginning of the period / year	7,615,200	11,422,800
Paid during the period / year	-	(3,807,600)
Balance at end of the period / year	<u>7,615,200</u>	<u>7,615,200</u>

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8. BORROWINGS (CONTINUED)**8-1 Borrowing from the Ministry of Finance (Continued)**

Present value of the borrowing from the Ministry of Finance is stated as follows:

	31 January 2024 (Unaudited)	31 July 2023 (Audited)
Borrowing at end of the period / year	7,615,200	7,615,200
Less: deferred financial expenses		
Balance at beginning of the period / year	(1,043,613)	(1,442,813)
Financial expenses for the period / year (Note 10)	169,508	399,200
Balance at end of the period / year	(874,105)	(1,043,613)
Present value of the borrowing at end of the period / year	6,741,095	6,571,587

8-2 Borrowings from local banks

The Group has signed Shariah-compliant facility agreements with several local banks in the form of Islamic Murabahas totaling SAR 962,95 million. These facilities were made with a profit margin and commission of Saudi interbank offered rate (SIBOR) plus a fixed rate on the facilities, these facilities are guaranteed against land and properties amounting to SAR 166,33 million (31 July 2023: SAR 149,17 million) Note (4), and (14) promissory notes amounting to SAR 972,65 million, bank agreements contain Bank covenants and these covenants are monitored by the management on a monthly basis, in the event of a breach or possible breach of these covenants, management takes actions to ensure compliance with these covenants. Movement in the borrowings from local banks is set out below:

	31 January 2024 (Unaudited)	31 July 2023 (Audited)
Balance at beginning of the period / year	490,552,532	480,808,635
Finance obtained during the period / year	185,166,623	393,698,750
Accrued financial expenses (Note 10)	15,830,378	28,180,865
Paid during the period / year	(191,807,788)	(412,135,718)
Total borrowings from local banks at end of the period / year	499,741,745	490,552,532

Breakdown of the borrowings stated in the interim consolidated statement of financial position are as follows:

	31 January 2024 (Unaudited)	31 July 2023 (Audited)
Borrowings – non current portion	361,626,844	322,847,821
Borrowings – current portion	144,855,995	174,276,298
	506,482,839	497,124,119

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9. ZAKAT PROVISION

9-1 Zakat Status

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

Ataa Educational Company (“Parent Company”) obtained the necessary regulatory approvals and the approval of ZATCA to calculate Zakat according to the consolidated financial statements, where the Zakat provision is calculated based on the consolidated Zakat base for the Parent Company and its subsidiaries directly owned by 100% except for Arabian Education and Training Group Holding Company. The Company is currently reviewed subject to Zakat and tax for the years 2021 and 2022 and the review has not been finalized until the date of approval of interim condensed consolidated financial statements.

9-2 Movement in Zakat Provision

	31 January 2024 (Unaudited)	31 July 2023 (Audited)
Balance at beginning of the period / year	4,358,879	4,754,468
Charged during the period / year	1,363,508	2,791,088
Paid during the period / year	(374,476)	(3,186,677)
Balance at end of the period / year	5,347,911	4,358,879

10. FINANCE COSTS

	For the three -month period ended		For the six -month period ended	
	31 January 2024 (Unaudited)	31 January 2023 (Unaudited)	31 January 2024 (Unaudited)	31 January 2023 (Unaudited)
Interest on lease liabilities for right-of-use assets	6,531,432	5,566,885	13,192,791	11,002,558
Finance costs – borrowings from local banks (Note 8-2)	7,717,726	5,594,921	15,830,378	10,494,004
Finance costs – borrowing from the Ministry of finance (Note 8-1)	84,754	99,800	169,508	199,600
	14,333,912	11,261,606	29,192,677	21,696,162

11. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income for the period attributable to shareholders of the Parent Company by the weighted average number of common stock outstanding at period end amounting to 42,087,215 shares (31 January 2023: 42,087,215 shares). Diluted earnings per share are the same as basic earnings per share as the Parent Company has no dilutive instruments.

	For the three-month period ended		For the six-month period ended	
	31 January 2024 (Unaudited)	31 January 2023 (Unaudited)	31 January 2024 (Unaudited)	31 January 2023 (Unaudited)
Net profit for the period attributable to shareholders of the Parent Company	11,457,541	9,551,648	33,508,800	30,612,261
Weighted average number of shares	42,087,215	42,087,215	42,087,215	42,087,215
	0.27	0.23	0.80	0.73

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12. CONTINGENCIES AND CAPITAL COMMITMENTS

	31 January 2024 (Unaudited)	31 July 2023 (Audited)
Capital commitments – projects under construction	22,729,705	72,381,864
	22,729,705	72,381,864

13. SEGMENT REPORTING

The Group's mainly engaged in establishing national and international schools, kindergartens, primary, intermediate and secondary schools for boys and girls in Riyadh, intermediary for employment of Saudis, online recruitment agencies, agencies for temporary employment of migrant labor, providing other human resources, owning, managing, operating and establishing training institutes and higher training institutes. Information related to the Group's operating segments set out below is the one that is regularly reported to the Group's operating decision makers are as follows:

- Education Segment: This segment is engaged in establishing and managing national, international, French and Indian schools.
- Training Segment: This segment is engaged in establishing and operating training institutes.
- Recruitment Segment: This segment is engaged in intermediary for employment of Saudis and online recruitment agencies.

	31 January 2024 (Unaudited)			
	Education Segment	Training Segment	Recruitment Segment	Total
Revenue				
For the six-month period ended 31 January 2024	316,524,521	18,587,193	1,906,392	337,018,106
For the three-month period ended 31 January 2024	156,997,929	9,113,265	408,429	166,519,623
Government subsidy income				
For the six-month period ended 31 January 2024	6,369,119	340,500	233,075	6,942,694
For the three-month period ended 31 January 2024	3,493,841	93,000	111,575	3,698,416
Total Revenue				
For the six-month period ended 31 January 2024	322,893,640	18,927,693	2,139,467	343,960,800
For the three-month period ended 31 January 2024	160,491,770	9,206,265	520,004	170,218,039
Cost of revenue				
For the six-month period ended 31 January 2024	(224,786,067)	(19,414,462)	(4,871,886)	(249,072,415)
For the three-month period ended 31 January 2024	(117,604,999)	(10,856,379)	(2,267,410)	(130,728,788)
Gross profit				
For the six-month period ended 31 January 2024	98,107,573	(486,769)	(2,732,419)	94,888,385
For the three-month period ended 31 January 2024	42,886,771	(1,650,114)	(1,747,406)	39,489,251
	31 January 2024 (Unaudited)			
Property, plant and equipment	849,036,902	38,417,771	887,284	888,341,957

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13. SEGMENT REPORTING (CONTINUED)

	31 January 2023 (Unaudited)			Total
	Education Segment	Training Segment	Recruitment Segment	
Revenue				
For the six-month period ended 31 January 2023	309,647,222	22,418,450	2,552,291	334,617,963
For the three-month period ended 31 January 2023	155,057,268	9,341,041	2,432,169	166,830,478
Government subsidy income				
For the six-month period ended 31 January 2023	4,912,119	350,350	2,168,989	7,431,458
For the three-month period ended 31 January 2023	2,532,836	350,350	808,547	3,691,733
Total Revenue				
For the six-month period ended 31 January 2023	314,559,341	22,768,800	4,721,280	342,049,421
For the three-month period ended 31 January 2023	157,590,104	9,691,391	3,240,716	170,522,211
Cost of revenue				
For the six-month period ended 31 January 2023	(217,484,137)	(18,503,456)	(19,609,097)	(255,596,690)
For the three-month period ended 31 January 2023	(115,771,414)	(7,925,879)	(10,337,717)	(134,035,010)
Gross profit				
For the six-month period ended 31 January 2023	97,075,204	4,265,344	(14,887,817)	86,452,731
For the three-month period ended 31 January 2023	41,818,690	1,765,512	(7,097,001)	36,487,201
	31 January 2023 (Unaudited)			
Property, plant and equipment	775,277,526	37,453,060	4,632,678	817,363,264

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

	31 January 2024 (Unaudited)			Total
	Education Segment	Training Segment	Recruitment Segment	
Timing of revenue recognition:				
At a certain point in time				
For the six-month period ended 31 January 2024	6,369,119	18,927,693	2,139,467	27,436,279
For the three-month period ended 31 January 2024	3,493,841	9,206,265	520,004	13,220,110
Over time				
For the six-month period ended 31 January 2024	316,524,521	-	-	316,524,521
For the three-month period ended 31 January 2024	156,997,929	-	-	156,997,929
Total revenue				
For the six-month period ended 31 January 2024	322,893,640	18,927,693	2,139,467	343,960,800
For the three-month period ended 31 January 2024	160,491,770	9,206,265	520,004	170,218,039
	31 January 2023 (Unaudited)			
Timing of revenue recognition:				
At a certain point in time				
For the six-month period ended 31 January 2023	4,912,119	22,768,800	4,721,280	32,402,199
For the three-month period ended 31 January 2023	2,532,836	9,691,391	3,240,706	15,464,933
Over time				
For the six-month period ended 31 January 2023	309,647,222	-	-	309,647,222
For the three-month period ended 31 January 2023	155,057,268	-	-	155,057,268
Total revenue				
For the six-month period ended 31 January 2023	314,559,341	22,768,800	4,721,280	342,049,421
For the three-month period ended 31 January 2023	157,590,104	9,691,391	3,240,716	170,522,211

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14. Restatement

Adjustments and reclassifications of the opening balances are as follows:

(1) Interim consolidated statement of financial position as of 1 August 2022:

<u>Item</u>	<u>Balance Before Adjustment</u>	<u>Adjustments Debit / (Credit)</u>	<u>Reclassifications Debit / (Credit)</u>	<u>Balance After Adjustment</u>
Non-current assets				
Intangible Assets:				
Goodwill	621,524,338	(10,805,284)	(581,088,182)	29,630,872
Total assets	2,127,592,135	(56,349,077)	-	2,071,243,058
Equity				
Statutory reserve	(41,756,561)	3,812,100	-	(37,944,461)
Retained earnings	(130,149,649)	34,308,900	-	(95,840,749)
Non-controlling interest	(78,916,954)	18,228,077	-	(60,688,877)
Total equity	(938,562,561)	56,349,077	-	(882,213,484)

Comment:

Reclassification of goodwill as a single line item in the financial statements, unification of the policy to account for inter-group non-controlling interest and excluding goodwill from the acquired identifiable assets of the Arab Education and Training Holding Group in exchange for excluding the acquisition gains of the acquired company.

2) Consolidated statement of financial position as of 31 July 2023:

<u>Item</u>	<u>Balance Before Adjustment</u>	<u>Adjustments Debit / (Credit)</u>	<u>Reclassifications Debit / (Credit)</u>	<u>Balance After Adjustment</u>
Non-current assets				
Intangible Assets:				
Goodwill	600,273,444	-	(573,665,389)	26,608,055
Total assets	2,121,570,549	(38,121,000)	573,665,389	2,083,449,549
Equity				
Statutory reserve	(48,535,163)	3,812,100	-	(44,723,063)
Retained earnings	(90,871,266)	34,308,900	-	(56,562,366)
Total equity	(884,935,993)	38,121,000	-	846,814,993

Comment:

Reclassification of goodwill as a single line item in the financial statements, the amount of 617,146 Saudi riyals was reclassified from goodwill to intangible assets and excluding goodwill from the net assets acquired from Arabian Education and Training Group Holding Company.

15. SUBSEQUENT EVENTS

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

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial information for the period ended 31 January 2024 were approved by the Audit Committee authorized by the Board of Directors on 18 Shaban 1445 AH, corresponding to 28 February 2024.