

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 July 2021
together with the
Independent Auditor's Report

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

Consolidated Financial Statements Together with The Independent Auditor's Report**For the year ended 31 July 2021**

<u>Index</u>	<u>Page</u>
Independent Auditor's Report	-
Consolidated Statement of Financial Position	1
Consolidated Statement of Profit or Loss	2
Consolidated Statement of Other Comprehensive Income	3
Consolidated Statement of Changes in Equity	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6-50

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Ataa Educational Company – a Saudi Joint Stock Company – (the “Company”) and its subsidiaries the (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 July 2021, the consolidated statements of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 July 2021, 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).

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the key audit matter
<p>Recognition of educational services revenue</p> <p>With reference to the accounting policy relating to the revenue recognition, as well as note (23) relating to revenue disclosures, the Group's revenues for the year ended 31 July 2021 amounted to SR 280 million.</p> <p>Revenue is a key indicator of performance measurement, resulting in inherent risks in the revenue recognition process through revenue overstatements. Revenue is recognized when educational services are provided to registered students.</p> <p>Due to the inherent risks in the revenue recognition process and the significance of revenue value of educational services, revenue recognition of educational services was considered as a key audit matter</p>	<p>We have performed the following procedures among other things:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the Group's revenue recognition policy under IFRS 15 "Revenue From Contracts with Customers." • Assessing the design and implementation and tested the operating effectiveness of controls relating to processes over revenue recognition. • Performing a test of a sample of recorded revenue transactions and compared them with supporting documents to verify the existence of recorded revenue. • Performing analytical reviews based on the number of students and approved fees for the educational process to evaluate the reasonableness of the amount of revenue per the consolidated financial statement. • Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. • Assessing the appropriateness of the disclosures made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the key audit matter
<p>Goodwill impairment</p> <p>With reference to the accounting estimates and assumptions relating to impairment of goodwill as well as note (8) relating to goodwill disclosures.</p> <p>The financial statements included a capitalized goodwill of SR 424.7 million as at 31 July 2021, which represents the increase in the value of the acquired and merged companies to the net assets transferred to the Group. The Group tests the impairment on an annual basis as required by IAS 36 'Impairment of Assets'. The impairment for 2021 has been tested at the cash generating unit level for the Group.</p> <p>Determination of the recoverable amount of an asset or cash-generating unit requires the management to make significant assumptions.</p> <p>We considered impairment of goodwill to be a key audit matter due to the high level of estimates and assumptions used in determination of impairment of goodwill.</p>	<p>We have performed the following procedures among other things:</p> <ul style="list-style-type: none"> • Obtained an understanding of the methodology adopted by the management in determining the cash generating unit and existence of impairment of goodwill and assessing whether this methodology is consistent with the requirements of IAS 36 and those used in this industry. • Assessed the design and implementation and tested the operating effectiveness of controls relating to processes over impairment of goodwill. • Assessed the key assumptions used by management related to revenue growth rate, gross profit margin, and long-term growth rate, with taking into account current and future economic conditions of the cash-generating units. We also compared the key assumptions to the previous factual results. • Assessed the reliability of management's forecast through a review of actual performance against forecasts used by management; • Involved our specialists to check the key assumptions used by management in calculating the value in use. We also conducted the sensitivity analysis related to these key assumptions. • Assessing the appropriateness of the disclosures made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
**TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
 (A SAUDI JOINT STOCK COMPANY)
 RIYADH, KINGDOM OF SAUDI ARABIA**
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the key audit matter
<p>Acquisition of subsidiary</p> <p>During 2021, the Company acquired 100% of the share capital of Elm International Schools Company as of 1 August amounting SR 40 million. Goodwill of SR 39.7 Million was recognized as a result of this acquisition and represents the excess of the total consideration paid over the fair value of identifiable net assets acquired of SR ٢٨٣,٧٢٤. In 2021, the Company acquired 52% of the capital of the Wasat National Training and Education in exchange for emptying a plot of land owned by the Group under deed No. 61012103192 in favor of the Wasat National Training and Education with a book value of SR 20.1 million. Goodwill was recognized in the amount of SR 8.6 million as a result of the acquisition, represent the excess of the total value of the vacated land over the fair value of the net identifiable assets acquired was represented by an amount of SR 1.9 million.</p> <p>This transaction is in the scope of IFRS 3 Business Combinations which requires significant judgment in determining the fair values at the acquisition-date of the identifiable assets acquired and liabilities assumed.</p> <p>Management has engaged independent valuers to assist them in determining the fair values of the net assets acquired at the acquisition date. This includes the identification and evaluation of intangible assets that require judgment.</p> <p>The key estimates applied in determining fair values generally include discount rates, revenue growth rates, gross margins and the useful life of assets. Any significant changes in these key estimates could cause changes to the fair value of the assets and liabilities acquired, including intangible assets, that directly affect the recognition of goodwill.</p> <p>We considered this a key audit matter because of the significant judgments and estimates that were applied in determining the fair value at the acquisition date of the identifiable assets acquired and liabilities incurred.</p> <p>Refer to note (2-b) accounting policies and note (33) Acquisition of subsidiary.</p>	<p>We have performed the following procedures among other things:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of controls over the acquisition. • Obtaining and reviewing relevant contracts related to acquisitions and evaluating management actions to identify intangible assets; • Assessing the competence, capabilities and objectivity of the management expert, obtaining an understanding of that expert's work and evaluating the appropriateness of that expert's work as evidence for the audit of the related assertion; • We evaluated the disclosures in the consolidated financial statements to determine whether they are in compliance with International Financial Reporting Standards (IFRS).

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY****(A SAUDI JOINT STOCK COMPANY)****RIYADH, KINGDOM OF SAUDI ARABIA****REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Other Information**

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. It is expected that the annual report will be available to us after the date of this audit 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.

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Other Matter

The consolidated financial statements of the Group for the year ended 31 July 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 27 October 2020.

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 endorsed by the SOCPA and Companies Law and the Company's By-Laws for such internal control as management determines is necessary to enable the preparation of 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 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 financial reporting process

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:

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA****REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the establishments or commercial activities within the Group. To express an opinion on the consolidated financial statements. We are responsible for directing, supervising and implementing the Group review process. We remain solely responsible for the 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, with relevant safeguards.

Among the matters that we communicate with those charged with governance, we identify those matters that were of most importance when auditing the consolidated financial statements for the current year, and therefore these matters are the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we believe that the 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 on this report.

For Al-Bassam & Co.**Ibrahim A. Al Bassam**
Certified Public Accountant
License No. 337Riyadh: 27 Safar 1443H
Corresponding to: 4 October 2021

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

	Note	31 July 2021	31 July 2020
ASSETS			
Non-current assets			
Property and equipment	6	495,142,467	499,583,758
Investment properties	7	37,419,722	37,752,049
Intangible assets	8	425,419,811	377,577,329
Right-of-use assets	9	295,355,802	259,028,942
Total non-current assets		1,253,337,802	1,173,942,078
Current assets			
Inventories		1,041,847	803,452
Account receivable	10	57,325,556	76,924,636
Prepayments and other receivables	11	25,842,979	14,526,429
Due from a related party	12-1	8,375	-
Cash and cash equivalents	13	7,498,833	2,394,383
Total current assets		91,717,590	94,648,900
Total assets		1,345,055,392	1,268,590,978
EQUITY			
Share capital	14	400,000,000	400,000,000
Share premium	14-1	209,594,000	209,594,000
Statutory reserve	15	34,849,260	31,142,800
Actuarial reserve		(7,686,781)	(6,313,678)
Retained earnings		107,983,937	114,625,797
Equity attributed to shareholders		744,740,416	749,048,919
Non-controlling equity		10,651,773	-
Total equity		755,392,189	749,048,919
LIABILITIES			
Non-current liabilities			
Lease liabilities on right-of-use assets	9	300,630,208	257,890,737
Borrowings	17	172,575,968	41,426,855
Deferred revenue of government grants	18	1,442,813	1,899,881
Employees' post employment benefits	19-2	33,220,577	33,363,510
Total non-current liabilities		507,869,566	334,580,983
Current Liabilities			
Borrowings	17	31,627,570	115,903,299
Lease liabilities on right-of-use assets	9	21,779,897	23,320,268
Revenue received in advance	20	6,793,198	5,448,384
Accounts payable		961,243	5,050,022
Deferred revenue of government grants	18	457,068	512,712
Accrued expenses and other current liabilities	21	18,433,021	23,776,288
Provision for Zakat	22-C	1,592,679	1,810,241
Due to a related party	12-2	148,961	9,139,862
Total current liabilities		81,793,637	184,961,076
Total liabilities		589,663,203	519,542,059
Total equity and liabilities		1,345,055,392	1,268,590,978
Contingent liabilities and capital commitments	29		

Chief financial Officer

Adel Nade

Chief Executive Officer

Ibrahim Alturky

Chairman

Tariq Bin Othman Al Qasabi

The accompanying notes 1 through 35 form an integral part of these consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

	Note	31 July 2021	31 July 2020
Revenue	23	280,002,431	336,376,934
Cost of revenue	24	(204,675,501)	(220,121,705)
Gross profit		75,326,930	116,255,229
General and administrative expenses	25	(24,903,087)	(21,495,277)
Impairment of accounts receivable	10	(693,663)	(9,010,960)
Other income	26	8,640,023	13,748,941
Operating profit		58,370,203	99,497,933
Finance costs	27	(20,260,795)	(21,889,153)
Net income for the year before Zakat		38,109,408	77,608,780
Zakat	22-C	(1,071,762)	(1,809,700)
Net income for the year		37,037,646	75,799,080
Net income / (loss) for the year attributed to:			
Shareholders in parent company		37,064,600	75,799,080
Non-controlling equity		(26,954)	-
		37,037,646	75,799,080
Basic and diluted earning per share:			
Basic and diluted earnings per share as per income for the year attributable to the shareholders of the Company	28	0,93	1,89

Chief financial Officer

Adel Nader



Chief Executive Officer

Ibrahim Alturky



Chairman

Tariq Bin Othman Al Qasabi



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ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

	Note	31 July 2021	31 July 2020
Net income for the year		37,037,646	75,799,080
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Actuarial (losses) on re-measurement of employees' post employment benefits	19-2	(5,974)	(6,195,445)
Adjustments		<u>(1,093,917)</u>	<u>-</u>
Total comprehensive income for the year		<u>35,937,755</u>	<u>69,603,635</u>
Total comprehensive income for the year attributed to:			
Shareholders in parent company		35,915,559	69,603,635
Non-controlling		<u>22,196</u>	<u>-</u>
		<u>35,937,755</u>	<u>69,603,635</u>

Chief financial Officer

Adel Nader

Chief Executive Officer

Ibrahim Alturky

Chairman

Tariq Bin Othman Al Qasabi

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ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

	Note	Capital	Share premium	Statutory reserve	Actuarial reserve	Retained earnings	Total equity attributed to company shareholders	Non-controlling equity	Total equity
Balance as at 1 August 2019		400,000,000	209,594,000	23,562,892	(118,233)	113,507,615	746,546,274	-	746,546,274
Change in policy	4	-	-	-	-	(27,100,990)	(27,100,990)	-	(27,100,990)
Balance as at 1 August 2019 - restated		400,000,000	209,594,000	23,562,892	(118,233)	86,406,625	719,445,284	-	719,445,284
Net income for the year		-	-	-	-	75,799,080	75,799,080	-	75,799,080
Other comprehensive loss		-	-	-	(6,195,445)	-	(6,195,445)	-	(6,195,445)
Total comprehensive income		-	-	-	(6,195,445)	75,799,080	69,603,635	-	69,603,635
Dividends	16	-	-	-	-	(40,000,000)	(40,000,000)	-	(40,000,000)
Transferred to statutory reserve		-	-	7,579,908	-	(7,579,908)	-	-	-
Balance as at 31 July 2020		400,000,000	209,594,000	31,142,800	(6,313,678)	114,625,797	749,048,919	-	749,048,919
Transferred from acquired companies		-	-	-	(224,062)	-	(224,062)	10,629,577	10,405,515
Net income/ (loss) for the year		-	-	-	-	37,064,600	37,064,600	(26,954)	37,037,646
Other comprehensive loss		-	-	-	(1,149,041)	-	(1,149,041)	49,150	(1,099,891)
Total comprehensive income		-	-	-	(1,149,041)	37,064,600	35,915,559	22,196	35,937,755
Dividends	16	-	-	-	-	(40,000,000)	(40,000,000)	-	(40,000,000)
Transferred to statutory reserve		-	-	3,706,460	-	(3,706,460)	-	-	-
Balance as at 31 July 2021		400,000,000	209,594,000	34,849,260	(7,686,781)	107,983,937	744,740,416	10,651,773	755,392,189

Chief financial officer

Adel Nader

Chief Executive Officer

Ibrahim Alturky

Chairman

Tariq Bin-Ottman Al Qasabi

The accompanying notes 1 through 35 form an integral part of these consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

	Note	31 July 2021	31 July 2020
Cash flows from operating activities			
Net income for the year before Zakat		38,109,408	77,608,780
Adjustments for:			
Depreciation property and equipment	6	16,087,971	16,271,705
Depreciation investment property	7	332,327	332,327
Amortization of intangible assets	8	373,755	392,720
Depreciation of right-of-use assets	9	30,019,741	25,648,488
Gain on sale of property and equipment		(49,051)	(106,694)
(Reverse) / provision for impairment of receivables	10-1	693,663	9,010,960
Impairment of inventories		-	198,940
Finance costs	27	20,260,795	21,889,153
Provision for employees' post employment benefits	19-2	6,222,165	4,331,400
Modification gain for leases on right-of-use asset	9,26	(1,917,479)	-
Actuarial adjustments		(1,093,917)	-
		<u>109,039,378</u>	<u>155,577,779</u>
Changes in operating assets and liabilities			
Inventories		(238,395)	(211,727)
Trade receivable		23,588,975	(30,264,682)
Prepayments and other current assets		(10,077,075)	17,578,242
Accounts payable		(4,238,744)	(1,466,718)
Revenue received in advance		(735,331)	(9,422,054)
Due from a related party		(8,375)	-
Accrued expenses and other current liabilities		(6,147,461)	(12,923,554)
Due to a related party		(10,355,901)	(5,793,034)
		<u>100,827,071</u>	<u>113,074,252</u>
Cash generated from operating activities			
Employees' post employment benefits paid	19-2	(8,496,239)	(6,566,635)
Zakat paid	22-C	(1,956,760)	(1,673,158)
		<u>90,374,072</u>	<u>104,834,459</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Additions to property and equipment and projects in progress	6	(9,356,172)	(15,175,264)
Proceeds from sale of property and equipment		59,701	183,000
Net cash outflow on acquisition of subsidiaries, net cash acquired	33	(38,792,222)	-
		<u>(48,088,693)</u>	<u>(14,992,264)</u>
Net cash used in investing activities			
Cash Flow from Financing Activities			
Proceeds from borrowings	17	259,852,889	106,928,543
Repayments of borrowings	17	(214,704,899)	(132,655,954)
Lease liabilities paid		(23,280,806)	(15,396,330)
Finance cost paid		(18,535,401)	(12,885,358)
Deferred government grant revenue	18	(512,712)	(566,220)
Dividends paid	16	(40,000,000)	(39,925,809)
		<u>(37,180,929)</u>	<u>(94,501,128)</u>
Net cash used in financing activities			
Net change in cash and cash equivalents			
		<u>5,104,450</u>	<u>(4,658,933)</u>
Cash and cash equivalents at beginning of the year		2,394,383	7,053,316
Cash and cash equivalents at the end of the year	31	<u>7,498,833</u>	<u>2,394,383</u>
Non-cash transactions	32		

Chief financial Officer

Adel Nader

Chief Executive Officer

Ibrahim Alturky

Chairman

Fariq Bin Othman Al Qasabi

The accompanying notes 1 through 35 form an integral part of these consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Ataa Educational Company (the "Company") is a Saudi joint stock company, incorporated under the Regulations for Companies in the Kingdom of Saudi Arabia and was registered in Riyadh under Commercial Registration number 1010186435 dated 10 Rabi' I 1424H (corresponding to 11 May 2003), as a Saudi joint stock company under the Ministerial Resolution No. (71/s) on 10 Rabi' I 1431H (corresponding to 24 February 2010).

On 29 Thul-Qi'dah 1440H (corresponding to 31 July 2019), the Company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4292).

The principal activities of the Company include the establishment of national and international schools, kindergarten, primary, middle and secondary schools for boys and girls (general and memorization) and colleges and universities in the 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 special education schools. The company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities.

The Company's head office is located in Riyadh city and its official address is as follows:

P.O. Box 87527

Riyadh 11652

Kingdom of Saudi Arabia

In accordance with the Company's By-Laws, the fiscal year of the Company commences at 1 August and ends at 31 July of each year.

The Company operates through its following branches:

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

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 July 2021**

(Expressed in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS (CONTINUED)

The following subsidiaries in which the Group directly or indirectly owns (collectively referred to as the "Group"):

Subsidiary	Country of Domicile	Legal form	Effective shareholding	
			31 July 2021	31 July 2020
Al Nokhbah Educational Company	Kingdom of Saudi Arabia	LLC	100%	100%
Al Oruba International Company for Education Services	Kingdom of Saudi Arabia	LLC	100%	100%
Al-Rowad Company for Supporting Services	Kingdom of Saudi Arabia	LLC	100%	100%
Elm International Schools Company	Kingdom of Saudi Arabia	LLC	100%	-
Wasat National Training and Education Company	Kingdom of Saudi Arabia	LLC	52%	-

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

The principal activity of the Company is to own private schools for all levels – kindergarten / preparatory primary / middle / secondary for boys and girls, wholesale and retail trade in educational materials and aids, and exercises its activity after obtaining the necessary licenses from the competent authorities.

The company operates through Al Nokhba Educational Schools, Al Kharj Branch, Al Nahda District, which holds commercial registration No. 1011010525 issued by the city of Riyadh on 15 Jumada Al Awwal 1425H corresponding to July 3, 2004.

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

The principal activity of the Company is to establish American curriculum schools, establish manage and operate international schools, language and translation institutes educational training centers, private institutes and colleges, and computer centers.

- (3) Al-Rowad Company for Supporting Services is a limited liability company established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010299500 on 19 Muharram 1432 H corresponding to 25 December 2010.

The principal activity of the Company is in general contracting for buildings, establishing schools operating school canteens, and trading in stationery, furniture and building materials.

On 22 Jumada Al-awwal 1439 H corresponding to 7 February 2018 the Company opened a new branch and registered in Riyadh under Commercial Registration No. 1010933937 and the principal activity of the branch is in maintenance and operation.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

(Expressed in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS (CONTINUED)

- (4) Elm International Schools Company is a limited liability company, established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010218835 on Rabi' Al-Thani 3, 1427H (corresponding to May 1, 2006).

The company's main activity is pre-school education Kindergarten with a national and international curriculum, operating independent schools teaching kindergarten with a national and international curriculum, primary education for male and female students with a national and international curriculum operating independent schools, primary education with a national and international curriculum intermediate education for male and female students with a national curriculum and international, operating independent schools, intermediate education, with a national and international curriculum, secondary education for male and female students, with a national and international curriculum operating independent schools, secondary education with a national and international curriculum, mixed intermediate education, including community schools, mixed secondary education including community schools, institutes for teaching languages and conversation skills, centers for memorizing the Noble Qur'an and the Noble Hadith, training in the use of computers and supplementary programs, administrative training institutes, electronic training, institutes of teaching Arabic for non-native speakers, institutes Teaching Arabic calligraphy, academic advising services, private educational supervision and training centers.

The company operates through the Elm International Schools Company branch, which holds a commercial registration number 1010393369 issued in the city of Riyadh on 1 Rabi' al-Akhir 1435H corresponding to February 1, 2014.

- (5) During 2021, the Company acquired Wasat National Training and Education Company a limited liability company, established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010192295 dated Shawwal 26, 1424 H (corresponding to December 20, 2003)

The company's main activity is primary education for male and female students with a national curriculum intermediate education for male students with a national curriculum, secondary education for male students with a national curriculum, mixed middle education including community schools, the operation of independent schools, secondary education with a national curriculum.

The company operates through the branch of Wasat National Training and Education Company, which holds a commercial registration number 1010949634 issued in the city of Riyadh on Rajab 11, 1439 H corresponding to March 28, 2018.

In reference to the events related to the spread of the Corona virus (Covid-19) and its repercussions on the business sectors locally and internationally, the group is committed to implementing what was stipulated in the decisions issued recently by the competent authorities. The group has taken the necessary measures to ensure the health and safety of the group's employees and contribute to limiting the spread of the epidemic, and the group also seeks to benefit from the initiatives and decisions adopted and presented by the Kingdom's government in order to mitigate the negative effects of Covid-19 on private sector companies.

The Group was affected like other educational companies during the year ending on July 31, 2021, due to the difficulty in determining the time period of the epidemic, it is currently difficult for the Group to determine the financial impact of the epidemic, however, the Group will continue to follow developments in this regard and will reflect any required changes in future reporting periods.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

a. Applied accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the 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 periods presented, unless otherwise stated.

b. BASIS OF CONSOLIDATION:

The consolidated financial statements include the financial statements of the parent company and its subsidiaries (collectively the "Group") as disclosed within note (1). Accordingly, comprises of the financial statements of the parent company and its subsidiaries as at 31 July 2021. 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.

Profit or loss and each component of consolidated comprehensive income are attributed to shareholders of the parent company of the Group and to the non-controlling 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 intra-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.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

c. Basis of measurement

These consolidated financial statements have been prepared on historical cost basis except for cases where international financial reporting standards require another basis for measurement as disclosed in the accounting policies in note No. (3) of these to the accompanying consolidated financial statements.

As required by the Capital Market Authority ("CMA") through its circular dated 16th October 2016, the Group shall apply the cost model to measure the property and equipment, investment properties, and intangible assets upon adopting the IFRS for three years starting from the IFRS adoption date. And have been postponed until 31 December 2021.

d. Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals, which is the functional currency of the Group.

e. Use of estimates and assumptions

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

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

As explained in note 1 above, the Group has reviewed the main sources of estimates of uncertainty that have been disclosed in the last annual financial statements against the backdrop of the Covid-19 pandemic. Management will continue to monitor the situation and any required changes that will be reflected in future reporting periods.

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

f. International Financial Reporting Standards, Interpretations of the International Financial Reporting Interpretations Committee and new accounting

On May 28, 2020, the IASB issued an amendment to IFRS 16 Lease Contracts as a practical matter, a lessee may choose not to assess whether a COVID-19 related rent reduction from the lessor is an amendment to the lease. A lessee making this selection accounts for any change in lease payments resulting from the rent reduction related to COVID-19 in the same manner as it would interpret the change under IFRS 16, if the change was not an amendment to the lease.

The practicality applies only to fare reductions that occur as a direct result of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in an amended lease consideration that is substantially the same as, or less than, the lease consideration immediately prior to the change.
- b) any reduction in rent payments affects only payments due commencing on or before 30 June 2021 (the rent reduction will satisfy this condition if it results in a reduction in rent payments on or before 30 June 2021 and an increase in rent payments after 30 June 2021); And
- c) There is no material change in the other terms and conditions of the lease contract.

In the current financial year, the Group has applied the amendment to IFRS 16 from its effective date. Impact on accounting for changes in lease payments applied for the exemption. The Group has applied the practical expedient retrospectively to all pay cuts that meet the conditions in IFRS 16:46b, and has not adjusted the prior period figures.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

f. International Financial Reporting Standards, Interpretations of the International Financial Reporting Interpretations Committee and new accounting (continued)

The Group benefited from exemptions from lease payments on lease contracts amounting to 1,917,479 SR. The assignment of lease payments amounting to 1,917,479 SR was accounted for as negative variable lease payments in the consolidated statement of profit or loss, see Note (26). The Group derecognised the portion of the lease obligations that was canceled by foregoing lease payments, in accordance with the requirements of IFRS 16.

Several other new amendments to the standards, which are listed below, became effective during the year, which do not have a material impact on the Group's consolidated financial statements.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1 and IAS 8	Definition of material	1 January 2020	The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.
IFRS 3	Definition of business	1 January 2020	The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.
Revised Conceptual Framework for Financial Reporting	Amendments to references to Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts	1 January 2020	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020	A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

f. International Financial Reporting Standards, Interpretations of the International Financial Reporting Interpretations Committee and new accounting (continued)

The amendments to IFRS 16 "Leasing Contracts" in relation to the response to the effects of Covid-19 on lessees added a practical means of accounting treatment, as the International Accounting Standards Board issued amendments to IFRS 16 that allow the lessee to choose what If the effects of COVID-19 are to be modified on the relevant contract, entities that apply the amendments to IFRS 16 must disclose that they have applied the modifications, and must disclose whether they have used the practical means of accounting treatment.

The management believes that the impact of these amendments is not material on the consolidated financial statements of the group for the year ended July 31, 2021, with the exception of the amendments to IFRS No. (16) "Lease Contracts" in response to the effects of Covid-19 on the lessees.

g. International Financial Reporting Standards and Interpretations of the International Financial Reporting Interpretations Committee and new accounting amendments that have not yet been applied

The Group has not applied the following new and revised IFRSs that are not yet effective:

Amendments to standard	Description	Effective for annual years beginning on or	Summary of the amendment
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 entity first applies the amendments.
IFRS 3	Reference to the Conceptual Framework	1 January 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
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
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2020–2018	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 per cent' 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.
IFRS 10, 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.
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.

Management anticipates that these new standards interpretations and amendments will be adopted in the Group's 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.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Certain comparative figures have been reclassified to the current year's presentation. The following is a summary of the significant accounting applied by the group:

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; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current 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; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current liabilities.

3-2 Fair value measurement

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

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

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

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities can be obtained at the measurement date.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable (such as prices) or indirectly (derived from prices).

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (unobservable inputs).

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-2 Fair value measurement (continued)

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 Group has determined the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Group analyzes the changes 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 for each asset and liability with relevant 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 on the basis of nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3-3 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, current accounts, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, which can be readily converted into a specified amount of cash and are subject to an insignificant risk of change in value and are available for the Group's use.

3-4 Inventories

Inventories are composed of textbooks, stationery and school uniforms, and are recorded at the lower of cost and net realizable value. Net realizable value is the difference between estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the weighted average method.

The Group recognizes, where necessary, impairment of carrying value at the difference between carrying value and net realizable value for slow-moving and obsolete inventories under cost of revenue in the consolidated statement of profit or loss.

3-5 Account receivables

Amounts due from parents for services performed in the ordinary course of the Group's business and the receivable does not bear interest. If credit exceeds normal credit terms, accounts receivable are measured at amortized cost using the effective interest rate method. At the end of each reporting period, the carrying amounts of accounts receivable and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. In this case, the impairment loss is recognized directly in the consolidated statement of profit or loss. Also, see Note 3.23(2).

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-6 Government grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which are intended to compensate by the Group, are expensed.

Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded in aggregate at nominal value and transferred to the consolidated statement of profit or loss over the expected useful life of the asset, based on the consumption pattern of the benefits of the underlying asset at equal annual installments. When borrowings or similar subsidies are provided by governments or related institutions at an interest rate below the prevailing interest rate, the effect of this favorable interest is regarded as a government grant and recorded under non-current liabilities in the financial position as deferred government grant.

3-7 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, plant and equipment. The following are the estimated depreciation rates for the assets:

<u>Asset</u>	<u>Years</u>
Buildings and constructions	7.7 – 50
Electrical tools & equipment	4 – 10
Motor vehicles	5 – 10
Furniture & fixture	4 – 10

Impairment

The carrying values of property and equipment are reviewed for impairment in the case of events or changes in circumstances indicating that the carrying value may not be recoverable. When such an indication exists, and when the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell or its value in use.

A cash-generating unit for which impairment is measured is identified as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The carrying amount of an asset is written down directly to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Projects in progress

Assets under construction or development are capitalized under capital projects in progress. Assets under construction or development are transferred to the appropriate category of property, equipment or intangible assets (depending on the nature of the project), when the asset reaches the location and/or condition necessary for it to operate in the manner deemed by management. The cost of the capital work-in-progress item includes the purchase price, construction/development cost, and any other costs directly associated with creating or acquiring the capital work-in-progress item that management considers. Costs associated with testing items of capital work-in-progress (before they are available for use) are capitalized net of proceeds from selling any production during the testing period. Capital projects in progress is not depreciated or amortized.

Repair and maintenance expenses are charged to the consolidated statement of profit and loss. Repair and maintenance expenses that significantly increase the value of the assets or extend their useful life are capitalized.

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

Any item of property and equipment and any significant part initially recognized is derecognised upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit and loss when the asset is derecognised. The carrying amount of the asset is written down immediately to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

3-8 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation (including property under construction). Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. The cost less estimated residual value, if any is depreciated using straight-line basis over the useful lives of the property. The cost includes the cost of replacing major parts and borrowing costs for long-term construction projects if the recognition criteria are met.

Although the Group measures investment properties using the cost model, the fair value of investment properties is disclosed in the notes to the financial statements. Fair value is determined based on an annual evaluation performed by an independent valuer who holds recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use or when no future economic benefit is expected from their disposal. Gains or losses resulting from disposal of investment properties are recognized in the consolidated statement of profit or loss.

Properties are depreciated using the strait-line basis over their estimated useful life of 50 years and depreciation is charged to consolidated statement of profit or loss.

Rental income of these investment properties and their related depreciation are included in statement of profit or loss.

The carrying amount of the investment property is derecognized on its disposal (either through sale or a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between (a) net proceeds from disposal of investment property and (b) its carrying amount, is recognized in the profit or loss in the period of disposal or write-off.

If the use of investment property changed to a property occupied by the Group, it will be reclassified to property and equipment item at the same carrying value at the date of reclassification. If the use of a property occupied by the Group that was classified under property and equipment, it will be reclassified to investment properties item at the same carrying value at the date of reclassification. The residual value of the investment property and its useful life are reviewed at the end of each financial year and the necessary adjustments are made as a result of a change in an accounting estimate.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-9 Intangible assets

Acquired assets are measured individually at cost on initial recognition. Subsequent to initial recognition, intangible assets are recorded at cost less accumulated amortization and any impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and are recognized in the consolidated statement of profit or loss in the period in which the expenses are incurred.

3-10 Computer software

Software licenses purchased from other parties are initially recorded at cost. These are amortized using the straight-line method over its estimated useful life of four years.

3-11 Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Group enters into a business combination, the acquisition method of accounting is used. Goodwill is allocated, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination. Each cash generating unit represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

3-12 Impairment testing on goodwill

The Group's management performs annual impairment test of goodwill for the purpose of impairment testing and to identify whether the carrying value of goodwill is less than its recoverable value. The recoverable value is determined based on information used in the expected work plans for the five years following the financial statements and their related cash flows. Impairment testing is performed based on the measurement of current value of the future cash flows for five years in accordance with reasonable and objective assumptions to estimate cash flow depending on recent variable budgets approved by the management.

3-13 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 costs of disposal and its usable value.

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 taken into account in determining fair value less costs of disposal. In the event that such transactions cannot be determined, the appropriate valuation form is used. Goodwill is tested annually for impairment and no impairment losses to goodwill are reversed.

The Group bases its calculation of impairment on detailed budgets and operating plans, which are prepared separately for each of the cash-generating units of the group 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 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 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 does not exceed its recoverable amount and does not exceed the carrying amount that would have been determined, net of depreciation had no impairment loss been recognized for the asset in previous years. This response is recognized in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-14 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia ("the Authority"). Zakat is accrued and charged to the consolidated statement of profit or loss for the current period. Additional zakat liabilities, if any, related to assessments made on previous years are calculated by the Authority in the period in which the final assessments are issued.

The group is primarily eligible to pay zakat only. Since the reversal of the timing differences, if any, is not expected to have any material impact on the amount of zakat in the foreseeable future, and therefore no deferred tax liability or asset is recognized in these consolidated financial statements.

3-15 Employees' post employment benefits

3-15-1 Short-term obligations

Liabilities relating to wages and salaries, including non-monetary benefits, accrued leave and travel tickets that are expected to be paid in full within twelve months after the end of the period in which the employees render the related services, are recognized based on the services provided by the employees up to the end of the reporting period. It is measured by the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit liabilities under accrued expenses in the consolidated statement of financial position.

3-15-2 Other obligation related to long term employees' benefits

The liability or asset is recognized in the consolidated statement of financial position in respect of the defined reward. The employees' end of service benefit obligation is the present value of the defined benefit obligation in the reporting year. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the obligation determines the defined benefits by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the rewards will be paid, and whose terms are similar to those of the related obligation.

The defined benefit costs are classified as follows:

Service cost

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

Changes in the present value of the defined benefit obligation on plan modifications or reductions are recognized directly in the consolidated statement of profit or loss as past service costs.

Interest cost

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

Remeasurement gain or loss

Remeasurement gains or losses arising from adjustments or changes in actuarial assumptions in the year in which they occur are recognized directly in other comprehensive income.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-16 Revenue recognition

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

The Group recognizes revenue 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 every 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 satisfying each performance obligation.
Step 5: Revenue recognition	The Group recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

3-17 Education services

Revenue is recognized when education services to students registered with schools are performed for each school year and is stated at net less discounts and exemptions.

Other income is realized when the related service is provided.

3-18 Earnings per share

Basic earnings per share / (losses)

Basic earnings per share is calculated by dividing:

- Profit / (loss) attributable to the shareholders of the Group, after deducting any equity service costs other than ordinary shares, on the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share (losses)

The numbers used to determine the basic earnings/(losses) are adjusted to the diluted earnings per share, taking into account:

- The effect of interest after income tax and other financing costs associated with the reduction of potential common stock
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all ordinary shares with the effect of the potential dilution.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-19 Foreign currency transactions

Transactions in foreign currencies are converted into Saudi Riyals using the exchange rate prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from the re-measurement of monetary items denominated in foreign currency at the exchange rates prevailing at the end of the year are recognized in the consolidated statement of profit and loss.

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

3-20 Provisions

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount thereof can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Unwind of discount is recognized as finance cost in the consolidated statement of profit or loss.

3-21 Contingent Liabilities

All contingent liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the Group's control, or all present liabilities arising from past events but are unrecognized for the following reasons: (i) there is no possibility that an outflow of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; All of them must be evaluated at the date of each consolidated statement of financial position and disclosed in the consolidated financial statements of the group within the contingent liabilities.

3-22 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 four operating sectors, in the Kingdom of Saudi Arabia (private schools - international schools - Indian schools - French schools). Each segment has reached the quantitative limits referred to in IFRS 8 Segment Reporting Standard. Accordingly, reports on operating segments have been disclosed in the accompanying 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.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-23 Financial instruments

1) Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortized cost, or at fair value through comprehensive income – debt investment, or at fair value through other comprehensive income – equity investment, or at fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions 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.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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 of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not designated as measured at amortized cost or at fair value through comprehensive income as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or fair value through comprehensive income or as assets at FVTPL, if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-23 Financial instruments (continued)

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

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial asset 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 on derecognition is recognized in 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 profit or loss. Other net gains and losses are recognized in comprehensive income. On derecognition, gains and losses accumulated in comprehensive income are reclassified to profit or loss.
Equity investments at FVTCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recognized in the comprehensive income and are never reclassified to profit or loss.

Derecognition

Financial assets

A financial asset (or part of a group of similar financial assets) is mainly derecognized (i.e. excluded from 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" arrangement; (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.

Financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-23 Financial instruments (continued)

2) Impairment of financial asset

The financial assets recognized at amortized cost consist of trade receivables, cash and cash equivalents. Loss provisions are measured on the bases of ECLs over lifetime of a financial instrument: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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 assessment and including forward-looking information

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the Group in accordance with the contract and cash flows that the Group expects to receive). ECLs 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 securities at fair value through other comprehensive income 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.

Presentation of impairment

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

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 does not have 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 be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Offsetting of financial instruments

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

3-24 Right-of-use assets

The Group recognizes right-of-use assets on the commencement date of the lease (ie the date that the underlying asset becomes available for use). Right-of-use assets are measured at cost less any accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made on or before the lease commencement, less any lease incentives received and asset recovery costs. Unless the Group is reasonably certain about obtaining ownership of the asset

Lessee At the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over their estimated useful life or the lease term, whichever is shorter. Right-of-use assets are subject to impairment.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-25 Leases liabilities

The Group, at inception of the lease, recognizes lease liabilities that are measured at the present value of the lease payments made over the term of the lease. Lease payments include fixed payments (including actual fixed payments) less any lease incentives receivable, index or rate variable rent payments, and amounts expected to be repaid under residual value guarantees. Lease payments also include the exercise price of the purchase option reasonably certain to be exercised by the group and payment of lease termination penalties if the lease reflects the group's exercise of the option to terminate. Variable rent payments that do not depend on a specific index or rate are recognized as an expense in the year in which the event or circumstance causes the payment to be made.

In calculating the present value of lease payments, the Group uses the default borrowing rate at the commencement of the lease if the interest rate implicit in the lease cannot be readily determined. After the lease commencement date, the amount of the lease commitments is added to reflect the increased interest and reduced by the lease payments made. In addition, the carrying amount of the lease liability is remeasured 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 the purchase of the underlying asset.

3-26 Short-term leases and leases of impairment assets

The Group applies the short-term lease recognition exemption to its short-term leases of leasehold properties (ie leases with a term of 12 months or less from the commencement date that do not include a purchase option), and the recognition exemption for leases with low value assets. Lease payments relating to short-term leases and leases of low-value assets are recognized as an expense on the straight-line method over the term of the lease.

3-27 Borrowings

The borrowings are initially recognized at fair value (as proceeds received), net of transaction costs, if any. Subsequent to initial recognition, long-term borrowings are measured at amortized cost using the effective interest rate 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 term of the borrowing using the effective interest rate method. Fees paid on borrowing facilities are recognized in transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be withdrawn. In this case, the fees are deferred until the facility is withdrawn, and the fees are capitalized within the advance payments for liquidity services to the extent that there is no evidence that part or all of the facility may be withdrawn, and are amortized over the period of the related facility.

Loans are derecognised in the consolidated statement of financial position when the obligation is discharged, canceled or expires. The difference between the carrying amount of a financial liability that has been amortized or transferred to a third party and the consideration paid, including non-monetary assets transferred or liabilities assumed, is recognized in the consolidated statement of profit and loss in other income or finance costs.

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

General and specific borrowings directly related to the purchase, construction or production of assets eligible for capitalization are capitalized over the period of time required to complete and prepare the asset for its intended use or sale, as appropriate. Qualifying assets are assets that necessarily take a significant period of time to become ready for use or sale for which they are intended. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are recognized as an expense in the year in which they are incurred in the consolidated statement of profit or loss.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-28 Cash dividends and non-cash dividends to shareholders

Cash or non-cash distributions to shareholders are recognized as liabilities when the distribution is approved, and according to the Companies Law in the Kingdom of Saudi Arabia, dividends are approved when approved by the shareholders. The amount distributed is deducted directly from equity and recognized as a liability.

4. CHANGES IN ACCOUNTING POLICIES

4-1 IFRS 16 'Leases'

IFRS 16 'Leases' replaces the following standard and interpretations:

- IAS 17 'Leases'.
- IFRIC 4 'Determining whether an Arrangement contains a lease'.
- SIC 15 'Operating leases - incentives'.
- SIC 27 'Evaluating the substance of transactions involving the legal form of a lease'.

The standard determines the principles of recognition, measurement, presentation and disclosure of leases and requires lessees to recognize leases in accordance with a consolidated accounting framework in the consolidated statement of financial position.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for specific consideration. To assess whether a contract conveys the right to control the use of an identified asset.

As a lessee

At the commencement date, the Group shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

- (a) The right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) The right to direct the use of the identified asset.

The Group shall recognize a right-of-use asset at the commencement date (i.e. the date on which the underlying asset is available for use) and a lease liability at the commencement date. The right-of-use asset is initially measured at cost less accumulated depreciation and impairment and is settled for any remeasurement of a lease liability.

The cost of right-of-use asset includes the initial amount of a lease liability adjusted by lease payments made on or before the commencement date, and any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. The estimated useful life for right-of-use asset based on the lease term.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The Group shall discount lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be easily determined, the Group should use the incremental borrowing rate.

After the commencement date, a lessee shall measure the lease liability by:

- (a) increasing the carrying amount to reflect interest rate on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments that are remeasured when there is a change in future lease payments arising from a change in index or a rate, or if there was a change in the Group's estimate of the

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

4-1 IFRS 16 "Leases" (continued)

As a lessee (continued)

amount expected to be payable by the lessee under residual value guarantees, or if the Group changed its assessment whether it will choose the purchase, extension or termination.

Any remeasurement is settled in the lease liability against the carrying amount of right-of-use asset or charged to the consolidated statement of income if the carrying amount of the related asset is Zero.

Short-term leases

The Group elected not to recognize right-of-use assets and lease liabilities for the short-term leases for which their terms are 12 months or less. The Group recognizes lease payments associated with those leases as expenses on a straight line basis over the lease term.

Extension options

In case of leases that provide extension options, the Group assesses whether it is reasonably certain, at commencement date, that the extension options will be exercised. The Group reassesses whether it is reasonably certain to exercise the options if there was a significant event or major change in the circumstances that fall under its control.

As a lessor

When the Group is a lessor, it determines, at the commencement of the lease, whether the lease is a finance lease or operating lease.

To classify each lease, the Group perform overall assessment whether lease transfers all substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers specific indicators such as whether the lease term is for the major part of the economic life of the underlying asset. The initial measurement in case of finance leases: the lessor shall use the interest rate implicit in the lease to measure the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- (a) fixed payments;
- (b) variable lease payments that depend on an index or a rate;
- (c) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee; and
- (c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Upon subsequent measurement, a lessor shall recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

The initial measurement in case of operating leases: A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Upon subsequent measurement, a lessor shall apply IAS 36 to determine whether an underlying asset subject to lease is impaired and to account for any impairment loss identified.

When the Group is an intermediate lessor, it calculates its interest in the head lease and sublease separately. Classification of the sublease is assessed by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

If the head lease is a short-term lease, the Group applies exemption, the sublease shall be classified as an operating lease.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

4-1 IFRS 16 “Leases” (continued)
As a lessor (continued)

If the arrangement includes lease and non-lease components, the Group shall allocate the consideration in the contract by applying IFRS 15 for allocation the consideration in the contract.

The Group recognizes lease payments received under operating leases as revenue on a straight-line basis over the lease term as part of “other income”.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from IFRS 16. However, when the Group is an intermediate lessor, subleases are classified by reference to the underlying asset.

The Group adopted the application of IFRS 16 retrospectively with recognizing the accumulated effect for the initial application of the standard on 1 August 2019. Under this method, for leases that had been classified as operating leases, a lease liability is measured at present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. The resulting right-of-use asset is measured at the carrying amount of the right-of-use asset that represents the carrying amount of the lease liability at the date of initial application. A lease liability is settled adjusted by an amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position directly before the date of initial application. Any lease accruals or incentives relating to a previous operating lease against the right-of-use asset at the date of initial application. In addition, the Group also used practical expedients to apply a single discount rate to a portfolio of leases with similar characteristics and excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Previously, the Group had classified leases as operating leases or finance leases based on its assessment whether the lease substantively transfer all risk and rewards associated with ownership of the original asset to Group. The Group classified all leases as operating leases for the year ended 31 July 2019. As of 1 August 2019, the Group recognized the right-of-use assets and lease liabilities in the consolidated statement of financial position in accordance with requirements of IFRS 16

Impact on the consolidated financial statements

On transition to IFRS 16, the Group recognized right-of-use assets and lease liabilities, with settling the prepaid rent and recognizing the difference in retained earnings. The impact of transition at 1 August 2019 is summarized below:

Right-of-use assets presented in the financial statements	226,866,784
Lease liability on right-of-use assets	(244,518,926)
Prepaid rent	(9,448,848)
Impact on retained earnings	<u>(27,100,990)</u>
Right-of-use-assets at beginning of the year	226,866,784
Assets recognized during the year	57,810,646
Depreciation charge during the year	(25,648,488)
Balance at the end of the year	<u>259,028,942</u>
Lease liabilities recognized in the statement of financial position as at 31 July 2020	
Current	23,320,268
Non-current	257,890,737
Lease liabilities on right-of-use assets	<u>281,211,005</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

4-1 IFRS 16 "Leases" (continued)

Amounts recognized in the statement of profit or loss	for the year ended 31 July 2020
Depreciation on right-of-use assets	(25,648,488)
Interest expense on lease liabilities	(11,364,021)
Lease liabilities adjustments	
On the date of initial application, a discount rate of 4.10% to 4.53% was used. The below table represents the lease reconciliation as at 1 August 2019:	
Minimum lease payments as at 1 August 2019	244,518,926
Additions during the year	57,810,646
Interest charged during the year	11,364,021
Paid during the year	(20,044,724)
Due to lessor and have not paid until the end of the year	(12,437,864)
Total lease liabilities as at 31 July 2020	<u>281,211,005</u>

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

5.1 Use of estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates are rarely equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

5.2 Employees' post employment benefits liabilities

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

The Group determines the appropriate discount rate at the end of each year, which is the interest rate used to determine the present value of estimated future cash flows that are expected to be required to settle its post-employment obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds

Saudi Arabia has a rating of at least "A" or above, as determined by an internationally recognized rating agency, with the period of government bonds consistent with the estimated period of post-employment benefit liabilities.

Other key assumptions for post-employment liabilities are based in part on current market conditions.

5.3 Impairment of goodwill

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and/or value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

5.4 Fair value estimation of financial instruments

The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are shown as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (such as prices) or indirectly (such as derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5.5 Provision for impairment in account receivables

Management has estimated the recoverability of the accounts receivable taking into account the required provisions. Management has estimated the provisions for receivables based on past experience and the current economic environment for recovering outstanding long-term receivables. Estimating the amount of the provision requires significant judgment and use of estimates regarding the amount and timing of estimated losses based on past experience of losses, current conflicts, and consideration of current economic trends and conditions, all of which may be subject to significant change. The provision is charged to operations based on management's periodic assessment of the aforementioned factors, as well as other relevant factors. To the extent that actual results differ from management's estimates, a provision may be made for impairment of trade receivables or reversal of excess provision that could adversely or positively affect earnings or financial position in future periods

5.6 Useful lives of property and equipment

Depreciation of property and equipment is calculated on a straight line basis according to the rates mentioned in Note No. (3) of these financial statements.

5.7 Provision for zakat

The management has assessed the status of zakat and income tax, taking into account the local zakat and income tax legislation, periodically issued resolutions and agreements. The interpretation of such legislation, decisions and agreements, which will not be completely clear, necessitates the completion of the assessment by the Zakat, Tax and Customs Authority

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT

	31 July 2021				31 July 2020			
	Lands	Buildings and constructions	Electrical tools & equipment	Motor vehicles	Furniture & fixture	Projects in progress	Total	Total
Cost:								
Beginning of the year	154,810,372	366,915,109	33,203,421	28,942,832	35,766,164	5,108,082	624,745,980	626,850,888
Assets transferred from acquired companies	-	2,809,822	4,702,159	3,870,369	1,106,100	-	12,488,450	-
Additions during the year	-	235,000	1,482,021	-	1,921,106	5,718,045	9,356,172	15,175,264
Transferred from projects in progress during the year	-	2,288,953	-	-	-	(2,288,953)	-	-
Transferred from projects in progress to intangible assets during the year	-	-	-	-	-	-	-	(1,570,880)
Disposals during the year	-	-	(1,907,067)	(178,744)	(833,770)	-	(2,919,581)	(15,709,292)
End of the year	154,810,372	372,248,884	37,480,534	32,634,457	37,959,600	8,537,174	643,671,021	624,745,980
Accumulated depreciation								
Beginning of the year	-	45,472,737	25,807,802	27,399,814	26,481,869	-	125,162,222	124,523,503
Accumulated depreciation from acquired companies	-	1,600,176	4,033,797	3,637,199	916,120	-	10,187,292	-
Charged for the year	-	8,815,562	3,723,646	639,663	2,909,100	-	16,087,971	16,271,705
Disposals for the year	-	-	(1,906,380)	(171,213)	(831,338)	-	(2,908,931)	(15,632,986)
End of the year	-	55,888,475	31,658,865	31,505,463	29,475,751	-	148,528,554	125,162,222
Net book value:								
As at 31 July 2021	154,810,372	316,360,409	5,821,669	1,128,994	8,483,849	8,537,174	495,142,467	
As at 31 July 2020	154,810,372	321,442,372	7,395,619	1,543,018	9,284,295	5,108,082	499,583,758	

Depreciation instalments charged as follows:

	31 July 2021	31 July 2020
Cost of revenue (note 24)	<u>16,087,971</u>	<u>16,271,705</u>
	<u>16,087,971</u>	<u>16,271,705</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT (CONTINUED)

- As at 31 July 2021, certain lands and buildings amounting to SR 77,812,257 (2020: SR 94,463,130) are secured against certain credit facilities as indicated in Note (17).
- Property and equipment include buildings and constructions built on land leased from both ALBR Charity in Riyadh and the Charity Center for Teaching Holy Quran and its Sciences. These lands represent 60% of the land of Al-Rowad Schools in Izdihar complex. The net book value of these buildings amounted to SR 35,491,505. The lease agreement with ALBR Charity stipulates that the Society is entitled to 30% of any buildings or expansions that the Group makes on the leased land. Accordingly, the total value of the additions and improvements made to the buildings at a total cost of SR 48,999,558, including ALBR Charity's share of SR 10,699,867 has been included as the Group has incurred these costs and it has the right to use them under the contract.
- The rental values payable to ALBR Charity is SR 2.5 million and the Charity Center for Teaching Holy Quran and its Sciences is SR 3.8 million.
- The leases with the Charity Center for Teaching Quran and its Sciences ends on 30/12/1451H. These buildings are depreciated over their expected useful lives of 50 years, which exceeds the term of the leases. In view of the information and other data available to it, management believes that it is able to renew the leases in accordance with the conditions and requirements of activity.
- As at 31 July 2021, projects in progress of SR 8,537,174 (2020: SR 5,108,082) represent in construction project of an educational complex located in the Al-Izdihar district as well as building development work.

7. INVESTMENT PROPERTIES

	31 July 2021			31 July 2020
	Lands*	Buildings	Total	Total
Cost				
Balance beginning of the year	22,380,500	16,616,375	38,996,875	38,996,875
Balance end of the year	22,380,500	16,616,375	38,996,875	38,996,875
Accumulated depreciation				
Balance beginning of the year	-	1,244,826	1,244,826	912,499
Charged for the year (note 25)	-	332,327	332,327	332,327
Balance end of the year	-	1,577,153	1,577,153	1,244,826
Net book value:				
As at 31 July 2021	22,380,500	15,039,222	37,419,722	
As at 31 July 2020	22,380,500	15,371,549		37,752,049

Estimated useful life of the investment property is as follows:

	Years
Building	50

- * These lands and buildings are secured against obtaining certain credit facilities as described in Note (17-2).

Measurement data of fair value according to IFRS 13 as at 31 July 2021 is as follows:

Properties	Valuation methodology	Purpose	Key input and evaluation assumptions	Fair value as at 31 July 2021
Administrative building on Uthman bin Affan Road	Cost approach for buildings, market value for lands	To know the market value	Recent transactions	38,415,000

Valuation techniques used are categorized as level 3 of fair value hierarchy.

The valuation mechanism of properties adopted in valuation of investment properties are consistent with the international board for valuation standards as well as guidance of the Saudi Authority for Accredited Valuers (TAQEEM).

The name and qualifications of the valuer who conducted the evaluation of the investment properties are as follows:

Name of valuer	Assets Price Real Estate Appraisal
Valuer's qualifications	Licensed (TAQEEM).

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

8. INTANGIBLE ASSETS

	31 July 2021			31 July 2020
	Goodwill *	Computer software	Total	Total
Cost				
Balance beginning of the year	376,399,169	1,570,880	377,970,049	376,399,169
Additions during the year	48,300,201	-	48,300,201	-
Transferred from property and equipment	-	-	-	1,570,880
Disposal	-	(130,000)	(130,000)	-
Balance end of the year	424,699,370	1,440,880	426,140,250	377,970,049
Accumulated amortization				
Balance beginning of the year	-	392,720	392,720	-
Charged for the year (note 25)	-	373,755	373,755	392,720
Disposals	-	(46,036)	(46,036)	-
Balance end of the year	-	720,439	720,439	392,720
Net book value:				
As at 31 July 2021	424,699,370	720,441	425,419,811	
As at 31 July 2020	376,399,169	1,178,160		377,577,329

*Goodwill represents the difference between the net assets transferred to the Group from the merging and acquired companies and the value of those companies at the date of acquisition.

Goodwill has been allocated to cash-generating units of the Group as follows:

	31 July 2021	31 July 2020
Al-Rowad Schools, Al-Rawabi branch	28,413,273	28,413,273
Al-Rowad Schools, Al Mansoura branch	2,519,151	2,519,151
Al-Rowad Schools, Ishbilia branch	7,479,000	7,479,000
Nokhbah Schools, Al Kharj branch	8,846,495	8,846,495
Al-Rowad Schools, Al Rawda branch	33,091,250	33,091,250
Al Fikr Private School	14,100,000	14,100,000
Middle East International School	66,600,000	66,600,000
Al Sulaymaniyah International Private School	14,000,000	14,000,000
New Middle East International School	53,375,000	53,375,000
Modern Middle East International School	60,575,000	60,575,000
Al Oruba International Company for Education Services	87,400,000	87,400,000
Elm International Schools Company	39,716,376	-
Wasat National Training and Education Company	8,583,825	-
	424,699,370	376,399,169

Impairment assesment on goodwill:

The Group's management performs annual impairment test of goodwill for the purpose of impairment assesment and to identify whether the carrying value of goodwill is less than its recoverable value. The recoverable value is determined based on information used in the expected work plans for the five years following the financial statements and their related cash flows. Impairment assesment is performed based on the measurement of current value of the future cash flows for five years in accordance with reasonable and objective assumptions to estimate cash flow depending on recent variable budgets approved by the management.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

8. INTANGIBLE ASSETS (CONTINUED)

The key assumptions used in the estimation of the recoverable amount are set out below:

The values assigned to key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	31 July 2021		31 July 2020	
	from	to	from	to
Discount rate	12.68%	13.28%	12.7%	15.4%
	31 July 2021		31 July 2020	
Growth rate	0.5%		2%	

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. Terminal growth rate has been determined based on the management's estimate of the long-term compounded annual growth rate for profit before interest and depreciation, consistent with the assumptions that the market participant may make.

Sensitivity to changes in assumptions

Management believes that there is no reasonable probable change in any key assumptions that may lead to a significant change in goodwill over its recoverable value.

9. RIGHT-OF-USE ASSETS

	31 July 2021	31 July 2020
Right-of-use assets at the beginning of the year	284,677,430	226,866,784
Right-of-use assets transferred from acquired companies	1,651,285	-
Assets recognized during the year	65,198,999	57,810,646
Balance at the end of the year	351,527,714	284,677,430
Accumulated depreciation		
Balance at the beginning of the year	25,648,488	-
Accumulated depreciation transferred from acquired companies	503,683	-
Charged during the year (note 24)	30,019,741	25,648,488
Balance end of the year	56,171,912	25,648,488
Net book value as at 31 July 2021	295,355,802	
Net book value as at 31 July 2020		259,028,942
Lease liabilities on right-of-use assets		
	31 July 2021	31 July 2020
Lease liabilities as at the beginning of the year	281,211,005	244,518,926
Lease liabilities transferred from acquired companies	1,198,386	-
Additions during the year	65,198,999	57,810,646
Interest charged during the year (note 27)	12,535,301	11,364,021
Paid during the year	(35,816,107)	(20,044,724)
Concessions on leases (note 26)	(1,917,479)	-
Due to lessor and did not pay until the end of the year*	-	(12,437,864)
	322,410,105	281,211,005

The receivables to lessors have been classified and not paid as of July 31, 2020 as follows:

(8,939,864 Saudi riyals in an account due to a related party for the account of Dr. Ahmed bin Nasser Elmet'eb, 3,498,000 Saudi riyals in accounts payable to Oruba Educational Complex Lessor).

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

9. RIGHT-OF-USE ASSETS (CONTINUED)

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

	<u>31 July 2021</u>	<u>31 July 2020</u>
Non-current	300,630,208	257,890,737
Current	21,779,897	23,320,268
Lease liabilities on right-of-use assets	<u>322,410,105</u>	<u>281,211,005</u>
	<u>31 July 2021</u>	<u>31 July 2020</u>
Less than one year	21,987,767	23,320,268
1-5 years	112,831,298	113,610,103
More than 5 years	187,591,040	144,280,634
	<u>322,410,105</u>	<u>281,211,005</u>

10. ACCOUNT RECEIVABLES

	<u>31 July 2021</u>	<u>31 July 2020</u>
Account receivables	64,819,651	81,281,451
Less: impairment provision in account receivables	(7,494,095)	(4,356,815)
	<u>57,325,556</u>	<u>76,924,636</u>

10-1 Movement of impairment provision in account receivables as follows:

	<u>31 July 2021</u>	<u>31 July 2020</u>
Balance at the beginning of the year	4,356,815	1,959,308
Balance transferred from acquired companies	2,444,143	-
Charged during the year	783,699	9,010,960
Used during the year	(526)	(6,613,453)
Provision reverse	(90,036)	-
Balance at the end of the year	<u>7,494,095</u>	<u>4,356,815</u>

- Note 30-2 shows details of credit risk for account receivables

11. PREPAYMENTS AND OTHER RECEIVABLES

	<u>31 July 2021</u>	<u>31 July 2020</u>
Advance to suppliers and contractors	6,781,289	1,239,347
Prepaid government fees	5,045,955	4,296,216
Prepaid medical insurance	2,088,762	-
VAT	1,399,254	-
Management building clients	1,779,220	1,986,309
Prepaid finance cost	1,735,656	512,916
Professional fees	1,643,628	-
Employee's receivables	1,101,752	1,800,165
Prepaid housing allowance	1,079,098	1,241,281
Accrued government grants	838,045	1,001,299
Letters of guarantees	-	200,000
Other	2,350,320	2,248,896
	<u>25,842,979</u>	<u>14,526,429</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

12. RELATED PARTY TRANSACTIONS

The transactions with related parties represent the value of renting educational complexes, contracting services, training services, supervision, salaries, bonuses, compensation and allowances for board members, senior executives and senior management that took place between the group and related parties, and between the group, members of the board of directors, senior executives and senior management. The normal course of the group's activity and according to the same principles of dealing with others. The most important transactions with related parties and the balances resulting from them are as follows:

	Nature of relationship	Nature of transactions	Transaction's volume	
			31 July 2021	31 July 2020
Dr. Ahmed bin Nasser Elmet'eb	Shareholder and BOD member	Rent	13,188,000	13,188,000
Mtwroon Company – Leaders Center	Related party	Training and supervision services	284,968	-
AlOmran AlMutaqadima	Related party	Contractors' services	491,625	-

12-1 Due from related party

	31 July 2021	31 July 2020
AlOmran AlMutaqadima	8,375	-
	<u>8,375</u>	<u>-</u>

12-2 Due to related party

	31 July 2021	31 July 2020
Mtwroon Company – Leaders Center	148,961	-
Dr. Ahmed bin Nasser Elmet'eb	-	9,139,862
	<u>148,961</u>	<u>9,139,862</u>

12-3 Benefits, remunerations and compensation of senior management and senior executives

	For the year ended 31 July 2021		For the year ended 31 July 2020	
	BOD and committees' members	Senior management personal	BOD and committees' members	Senior management personal
Benefits and allowance	2,443,000	-	2,434,000	-
Salaries, remunerations and end of service	-	2,876,084	-	3,176,931
	<u>2,443,000</u>	<u>2,876,084</u>	<u>2,434,000</u>	<u>3,176,931</u>

13. CASH AND CASH EQUIVALENTS

	31 July 2021	31 July 2020
Cash at banks	7,457,756	2,321,260
Cash on hand	41,077	73,123
	<u>7,498,833</u>	<u>2,394,383</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

14. SHARE CAPITAL

As at 31 July 2021, the Group's authorized and paid-up capital of SR 400 million (31 July 2020: SR 400 million) is divided into 40 million shares (31 July 2020: 40 million shares) of SR 10 each.

14-1 Share premium:

In accordance with the resolution of the Extraordinary General Assembly, which was held on 2 Dhul-Hijjah 1436 H corresponding to 15 September 2015 the Company capital increase was approved amounting to SR 74.4 million by issuing new shares amounting to 7.4 million shares with a nominal value of 10 riyal per share and share premium of 28.17 SR per share, provided that the increase is developed in favour of the partners in JARIR National Schools Complex Company for Boys and Girls.

15. STATUTORY RESERVE

In accordance with the Group's By-laws and Saudi Arabian Regulations for Companies, 10% of the annual net income is transferred to the statutory reserve until such reserve equals 30% of share capital. The statutory reserve is not available for distribution; however, it can be used to increase the share capital after approval of the shareholder.

16. DIVIDENDS

On Jumada Al-Awwal 27, 1442 H corresponding to January 11, 2021, the Ordinary General Assembly decided to distribute dividends in the amount of 40,000,000 Saudi riyals at the value of one Saudi riyal per share (July 31, 2020: 40,000,000 Saudi riyals at the value of one Saudi riyal per share)

17. BORROWINGS

Borrowings represent the following:

17-1 A borrowing from Ministry of Finance

On 5 Muharram 1436H (corresponding to 29 October 2014), the Group obtained a long-term borrowing from the Ministry of Finance with a total amount of SR 19.03 million to finance contracting and construction works needed to build an educational complex in Al-Mansoura District. This facility is repaid in ten annual installments after the grace period which is estimated as four years from the signing date of the agreement. The last installment of the borrowing is payable on 10 June 2028. This borrowing does not bear any financing interest.

Collaterals

These facilities are secured by mortgage of the land of staff accommodation villa located in Al Rawabi District of SR 1,272,745 (31 July 2020: SR 1,273,618) and the land located in Al Salam District of SR 20,099,200 (31 July 2020: SR 20,099,200). Note (6).

Movement in borrowings obtained from the Ministry of Finance during the year is as follows:

	<u>31 July 2021</u>	<u>31 July 2020</u>
Balance at the beginning of the year	15,230,400	17,134,200
Paid during the year	(1,903,800)	(1,903,800)
Balance at the end of the year	<u>13,326,600</u>	<u>15,230,400</u>

Movement in the present value of borrowings obtained from the Ministry of Finance is as follows:

	<u>31 July 2021</u>	<u>31 July 2020</u>
Total borrowings at end of the year	13,326,600	15,230,400
Less: deferred finance charges		
Balance at the beginning of the year	(2,412,593)	(2,978,813)
Finance expenses for the year	512,712	566,220
Balance at the end of the year	<u>(1,899,881)</u>	<u>(2,412,593)</u>
Present value of borrowings at end of the year	<u>11,426,719</u>	<u>12,817,807</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

17. BORROWINGS (CONTINUED)

17-2 Borrowings granted from local banks

The group has signed facilities agreements compatible with Shariah regulations with several local banks in the form of Islamic Murabahas with a total amount of 893,000,000 Saudi riyals. The facilities are secured by land and real estate amounting to 56,440,312 Saudi riyals (31 July 2020: 73,090,312 Saudi riyals) and (6) promissory note amounting to 584,788,363 Saudi riyals. Agreements with banks contain bank covenants and these covenants are monitored on a monthly basis by the management, in the case of a breach or potential breach of these covenants Actions are taken by management to ensure that these covenants are fulfilled.

Movement in borrowings from local banks is as follows:

	<u>31 July 2021</u>	<u>31 July 2020</u>
Balance at the beginning of the year	144,512,347	166,614,010
Finance obtained during the year	259,852,889	106,928,543
Accrued finance expenses	1,212,682	1,721,948
Payment during the year	(212,801,099)	(130,752,154)
Total borrowings from local banks at the end of the year	<u>192,776,819</u>	<u>144,512,347</u>

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

	<u>31 July 2021</u>	<u>31 July 2020</u>
Non-current portion of borrowings *	172,575,968	41,426,855
Current portion of borrowings *	31,627,570	115,903,299
	<u>204,203,538</u>	<u>157,330,154</u>

* Includes a borrowing from Ministry of Finance (Note 17-1)

18. DEFERRED REVENUE OF GOVERNMENT GRANTS

	<u>31 July 2021</u>	<u>31 July 2020</u>
Balance at the beginning of the year	2,412,593	2,978,813
Movement during the year	(512,712)	(566,220)
	<u>1,899,881</u>	<u>2,412,593</u>
Current portion of deferred revenue of government grants	457,068	512,712
Non-current portion of deferred revenue of government grants	1,442,813	1,899,881
	<u>1,899,881</u>	<u>2,412,593</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

19. EMPLOYEES POST OF EMPLOYMENT

The system provides for post-employment benefits for all employees who complete the qualifying period of service and are entitled to the amounts stated under the Labor Law for each year/period of such service. The annual provision is based on an actuarial valuation. The assessment was performed as on July 31 and July 31, 2020 by the company's management, using the projected credit unit method, 2021. The actuarial assumptions that were relied upon in calculating employees' end of service benefits are as follows:

19-1 Significant actuarial assumptions

	<u>31 July 2021</u>	<u>31 July 2020</u>
Discount rate – non-Saudi	2.25% - 3.5%	2.80%
Discount rate – Saudi	1.1% - 1.22%	2.80%
Salary increase rate (% annum)	0.3% - 2%	0.30%
Employees turnover rate (% annum) - non-Saudi	3%	3%
Employees turnover rate (% annum) – Saudi	40%	40%

19-2 Movement in current value of defined benefits obligation

	<u>31 July 2021</u>	<u>31 July 2020</u>
Present value at the beginning of the year	33,363,510	29,403,300
Present value transferred from acquired companies	2,125,167	-
Present service cost	5,335,339	3,482,500
Interest cost	886,826	848,900
	6,222,165	4,331,400
Payment during the year	(8,496,239)	(6,566,635)
Actuarial losses	5,974	6,195,445
	<u>33,220,577</u>	<u>33,363,510</u>
	<u>31 July 2021</u>	<u>31 July 2020</u>
Less than a year	9,000,000	8,496,239
1-5 years	14,000,000	14,800,000
More than 5 years	10,220,577	10,067,271
	<u>33,220,577</u>	<u>33,363,510</u>

19-3 The sensitivity of the defined benefit obligation to changes in the weighted average of the key assumptions is:

Working	<u>Change in assumption</u>	<u>31 July 2021</u>	<u>31 July 2020</u>
Discount rate	+0.5%	30,791,599	32,114,398
	-0.5%	33,160,758	34,719,274
Long-term salary	+0.5%	33,187,974	34,747,333
	-0.5%	30,757,231	32,078,385

The above sensitivity analyzes are based on the change in one of the assumptions while all other assumptions are held constant. In practice, this is unlikely to happen, as some changes in some assumptions may be related to each other. When calculating the sensitivity of employees' end-of-service benefits to a material actuarial assumption, the same method is applied (the present value of the employees' defined benefit obligation calculated on the basis of the estimated unit credit cost method at the end of the reporting period) when calculating employees' post-employment benefits recognized in the consolidated statement of financial position.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

20. REVENUE RECEIVED IN ADVANCE

This balance represents the total tuition fee revenue received in cash for the first semester 2021/2022.

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>31 July 2021</u>	<u>31 July 2020</u>
Accrued dividends	10,013,906	15,037,858
Accrued salaries and benefits	2,027,044	3,116,191
Payable to parents	1,923,148	-
Accrued rent	1,042,476	-
Amounts due to GOSI	815,767	888,501
Deferred rent revenue	681,777	1,037,447
Accrued professional fees	295,500	669,844
VAT	-	1,115,745
Other	1,633,403	1,910,702
	<u>18,433,021</u>	<u>23,776,288</u>

22. ZAKAT PROVISION

A- Zakat Status

The group submitted its zakat returns to the Zakat, Tax and Customs Authority ("the Authority") until the year ended on July 31, 2020 and obtained a certificate from the Authority valid until 25 Rabi' al-Thani 1443 AH corresponding to November 30, 2021.

Ataa Educational Company (the "Parent Company") has obtained the necessary regulatory approvals and obtained the approval of the Authority to calculate Zakat in accordance with the consolidated financial statements, where the Zakat provision is calculated on the basis of the consolidated Zakat base of the parent company and its subsidiaries wholly owned directly or indirectly, with the exception of Elm International Schools Company and Al Wasat National Schools Company for Education and Training.

On September 19, 2021, the company received from the Authority the revised zakat assessments for the year 2020, which resulted in a zakat difference of 53,292 Saudi riyals, with the company giving a grace period to respond to the authority until September 26, 2021. The company will not object and the amount of zakat differences will be paid once the invoices are issued by the authority.

B- Zakat base

	<u>31 July 2021</u>	<u>31 July 2020</u>
Zakat of companies included in the consolidated declaration		
Net income for the year before zakat for the companies for which the consolidated declaration is submitted	34,886,705	77,608,780
Provisions	5,607,082	13,342,360
Charitable Endowment Exemption Balance	(8,098,757)	(18,563,134)
Net adjusted profit (A)	<u>32,395,030</u>	<u>72,388,006</u>
Adds:		
Share capital and share premium	609,594,000	609,594,000
Statutory reserve	31,142,800	23,562,892
Retained earnings	74,625,797	40,092,947
Accumulated provisions	29,304,391	18,183,061
Other additions	449,179,067	414,851,596
	<u>1,226,241,085</u>	<u>1,178,672,502</u>
Less:		
Non-current assets	(1,242,118,630)	(1,173,942,078)
Total	<u>(1,242,118,630)</u>	<u>(1,173,942,078)</u>
Zakat base (B)	<u>(15,877,545)</u>	<u>4,730,424</u>
Zakat due accordance with consolidated declaration	809,876	1,809,700
Zakat of companies not included in the consolidated declaration	261,886	-
Total zakat expense	<u>1,071,762</u>	<u>1,809,700</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

22. ZAKAT PROVISION (CONTINUED)

C- Zakat provision movement

	<u>31 July 2021</u>	<u>31 July 2020</u>
Balance at the beginning of the year	1,810,241	1,673,699
Balance transferred from acquired companies	667,436	-
Charged for the year	1,071,762	1,809,700
Paid during the year	(1,956,760)	(1,673,158)
Balance at the end of the year	<u>1,592,679</u>	<u>1,810,241</u>

23. REVENUE

	<u>31 July 2021</u>	<u>31 July 2020</u>
Tuition	280,002,431	325,841,098
Bus subscription revenue	-	10,535,836
	<u>280,002,431</u>	<u>336,376,934</u>

24. COST OF REVENUE

	<u>31 July 2021</u>	<u>31 July 2020</u>
Salaries and equivalents	133,552,877	149,765,726
Depreciation on right-of-use assets (Note 9)	30,019,741	25,648,488
Depreciation on property and equipment (Note 6)	16,087,971	16,271,705
Government fees	12,363,337	12,490,121
Rent	4,772,488	1,226,758
Electricity and water	2,822,412	4,794,624
Repair and maintenance	2,128,524	2,965,472
Stationery and prints	1,376,837	2,481,202
Telephone, mail and internet	549,650	429,443
Students' activity fees	244,616	1,350,761
Technical and computer support expenses	132,726	69,218
Professional and consulting fees	121,816	95,083
Cleaning and hosting	107,402	744,950
Other	395,104	1,788,154
	<u>204,675,501</u>	<u>220,121,705</u>

25. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>31 July 2021</u>	<u>31 July 2020</u>
Salaries and equivalents	15,675,565	14,116,548
Professional and consulting fees	1,985,468	1,779,971
Bank fees	1,759,382	1,764,113
Government fees	1,319,250	744,769
Technical and computer support expenses	1,384,671	961,700
Amortization on intangible assets (Note 8)	373,755	392,720
Depreciation on investment property (Note 7)	332,327	332,327
Telephone, mail and internet	154,263	199,268
Cleaning and hosting	151,333	100,813
Rent	148,315	-
Stationery and prints	118,247	125,450
Repair and maintenance	27,583	25,220
Electricity and water	18,021	31,648
Impairment in inventory	-	198,940
Other	1,454,907	721,790
	<u>24,903,087</u>	<u>21,495,277</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

26. OTHER INCOME

	<u>31 July 2021</u>	<u>31 July 2020</u>
Rental of the administrative building and halls	2,550,368	3,404,698
Concessions on leases (Note 9)	1,917,479	-
Government grants *	1,765,339	1,513,875
Revenue from the sale of books	375,000	-
Students activity revenue	178,040	703,358
Additional evening classes	166,228	971,351
Endorsement Income	59,120	-
Cafeteria rent	-	1,922,678
Other	1,628,449	5,232,981
	<u>8,640,023</u>	<u>13,748,941</u>

(*) Government grants are represented as follows:

	<u>31 July 2021</u>	<u>31 July 2020</u>
Ministry of Education subsidies	1,080,427	928,255
Revenue from government grants	512,712	566,220
Subsidies of Human Resources Development Fund grants	172,200	19,400
	<u>1,765,339</u>	<u>1,513,875</u>

- The Ministry of Education subsidy is granted to the Group annually in accordance with the specific regulations of the ministry, which is mainly related to the budget allocated by the Ministry and the number of students enrolled in each school.
- The Human Resources Development Fund (the "Fund") subsidy is granted in accordance with the agreement between the Group and the Fund on the basis of a lump sum of the monthly salary for a certain period for Saudi employees covered by the agreement.

27. FINANCE COSTS

	<u>31 July 2021</u>	<u>31 July 2020</u>
Interest on right-of-use assets obligations (note 9)	12,535,301	11,364,021
Finance costs - borrowings	7,725,494	10,525,132
	<u>20,260,795</u>	<u>21,889,153</u>

28. BASIC AND DILUTED EARNINGS PER SHARE

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

	<u>31 July 2021</u>	<u>31 July 2020</u>
Income for the year	37,064,600	75,799,080
Weighted average number of shares	40,000,000	40,000,000
	<u>0.93</u>	<u>1.89</u>

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

29. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	<u>31 July 2021</u>	<u>31 July 2020</u>
Capital commitments - projects in progress	21,470,665	-
Suppliers	3,843,324	3,668,811
Uncovered letter of guarantee	-	2,055,600
	<u>25,313,989</u>	<u>5,724,411</u>

The following are the amounts payable for lease contracts not recognized as right-of-use assets:

	<u>31 July 2021</u>	<u>31 July 2020</u>
Less than one year	4,920,448	1,226,758
1-3 years	9,840,976	3,680,274
More than 3 years	-	-
	<u>14,761,424</u>	<u>4,907,032</u>

There are no rents due for more than three years, given that the company plans that all educational buildings during the coming period will be either owned buildings or rented buildings according to long-term lease contracts, and with regard to staff housing, cash housing allowances will be granted to employees instead of providing housing for them on Company expense.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities include borrowings, lease liabilities on right of use assets, deferred government grant income, accounts payable, revenue received in advance, accrued expenses and other current liabilities due to a related party. The Group's principal financial assets consist of accounts receivable, prepaid expenses and other current assets, cash and cash equivalents, due from a related party. The main financial risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. Management reviews and aligns policies to manage those risks.

30-1 Market risk

It is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market, such as foreign exchange rates and interest rates, which affect the group's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposures within acceptable parameters, while maximizing returns. There has been no change in the Group's exposure to market risk or the way it is managed and how it is measured.

30-1-1 Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the 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 limits interest rate risk by monitoring changes in interest rates. Management monitors changes in interest rates and believes that the cash flow and interest rate risks to the fair value of the Group are not significant.

Group receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7 as the carrying amount or future cash flows do not change due to changes in market interest rates. Accordingly, the Group is not exposed to fair value interest rate risk.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

30-1 Market risk (continued)

30-1-1 Interest rate risk (continued)

The Group's exposure to risk of changes in interest rates are as follows:

	31 July 2021	31 July 2020
Variable interest rate borrowings	191,564,137	142,790,399
Fixed interest rate borrowings	11,426,719	12,817,807

All existing credit facility agreements are concluded with local banks and are compatible with the provisions of Islamic Sharia.

Sensitivity analysis

The following table shows the sensitivity of income to reasonably possible changes in interest rates, with other variables held constant, there is no direct impact on the equity of the Group.

	Statement of profit or loss			
	31 July 2021		31 July 2020	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Variable interest rate borrowings	1,927,768	(1,927,768)	1,427,903	(1,427,903)
Changes in cash flow	1,927,768	(1,927,768)	1,427,903	(1,427,903)

- There is no impact on statement of equity.

30-1-2 Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, foreign currency risk arises when future commercial transactions, assets and liabilities are denominated in a currency other than the Saudi Riyal. In Saudi riyals. Management monitors the risks of fluctuations in exchange rates closely and on an ongoing basis, and based on its experience and market reactions, management does not believe that it is necessary to hedge against foreign exchange risks as most of the foreign exchange risks are relatively limited in the medium term.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

30-2 Credit risk

It is the risk that one party will not be able to fulfill its obligations, causing financial losses to 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. Accounts receivable and other receivables are mainly due from customers in the local market and are stated at their estimated collectible value. The Group has policies in place to reduce its exposure to credit risk. The carrying amounts of the financial assets represent the maximum credit risk.

The following is the credit rating of the banks that the company deals with and their balances as on July 31, 2021:

<u>Credit rating</u>	<u>31 July 2021</u>	<u>31 July 2020</u>
BAA1	1,112,029	520,131
A1	2,465,570	792,411
A2	2,232,730	59,112
A3	1,647,427	949,606
	<u>7,457,756</u>	<u>2,321,260</u>

Account receivables

2021							4 years and	Provision
	Total	Current	Year	2 years	3 years			
Book value	64,819,651	43,097,256	11,969,033	5,806,090	2,576,187	1,371,085	(7,494,095)	
ECL	7,494,095	1,862,188	1,275,907	1,806,519	1,382,091	1,167,390	7,494,095	
ECL	11.6%	4.3%	10.7%	31.1%	53.6%	85.1%		
2020							4 years and more	Provision
Total	Current	Year	2 years	3 years				
Book value	81,281,451	67,247,221	8,760,525	3,231,699	1,433,535	608,471	(4,356,815)	
ECL	4,356,815	-	1,344,988	1,310,809	1,181,901	519,117	4,356,815	
ECL rate	5.4%	-	15.4%	40.6%	82.4%	85.3%		

The Group has not provided for certain past due account receivables as it holds collaterals to collect these receivables. Also, the Group believes that it is able to collect receivables that exceeded one year because it holds students' files and the students are unable to move to another school or leave school without recourse to the Group and pay all the accruals to be able to obtain their education file and obtain a clearance from the school.

30-3 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.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

30-3 Liquidity risk (CONTINUED)

31 July 2021	Carrying Value	Less than 1 year	1 to 5 years	More than 5 years
Lease liabilities on right-of-use assets	322,410,105	21,779,897	113,039,168	187,591,040
Borrowings	204,203,538	31,627,570	168,103,737	4,472,231
Deferred government grants revenue	1,899,881	457,068	1,369,590	73,223
Accounts payable	961,243	961,243	-	-
Advance revenue	6,793,198	6,793,198	-	-
Accrued expenses and other payables	18,433,021	18,433,021	-	-
Due to a related party	148,961	148,961	-	-
	554,849,947	80,200,958	282,512,495	192,136,494
31 July 2020	Carrying Value	Less than 1 year	1 to 5 years	More than 5 years
Lease liabilities on right-of-use assets	281,211,005	23,320,268	113,610,103	144,280,634
Borrowings	157,330,154	115,903,299	39,596,278	1,830,577
Deferred government grants revenue	2,412,593	512,712	1,683,028	216,853
Accounts payable	5,050,022	5,050,022	-	-
Advance revenue	5,448,384	5,448,384	-	-
Accrued expenses and other payables	23,776,288	23,776,288	-	-
Due to a related party	9,139,862	9,139,862	-	-
	484,368,308	183,150,835	154,889,409	146,328,064

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors its capital base using the net debt to equity ratio. Net debt is calculated as borrowings less cash and cash equivalents.

The following is the net debt to equity ratio of the Group at the end of the year:

	31 July 2021	31 July 2020
Borrowings	204,203,538	157,330,154
Less:		
Cash and cash equivalents	(7,498,833)	(2,394,383)
Net debt	196,704,705	154,935,771
Total equity attributed to company shareholders	744,740,416	749,048,919
Net debt rate to equity	26.4%	20.7%

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

30-4 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, in a 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:

- Through the principal market for the asset or liability, or
- By the most advantageous market for the asset or liability in the absence of the principal market.

The principal or most advantageous market must be accessible to 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 takes into account the ability of the market parties to provide economic benefits by using the asset for the best benefit from it or by selling it to another party in the market to use it for the best benefit from it.

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

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

- First level: prices traded in active markets for the same assets or liabilities.
- Level two: other valuation techniques in which the minimum amount of material data is directly or indirectly observable to the fair value measurement.
- Level Three: Other valuation techniques in which minimal inputs that are material to the fair value measurement are unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have taken place between levels in the above hierarchy by reassessing 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. From preparation of the consolidated financial statements. The carrying amount of a financial asset that cannot be measured at fair value is the approximate value of its fair value. The financial liabilities are measured at amortized cost, which reasonably approximates their fair value.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

31. SEGMENT REPORTING

The Group's revenue of SR 289,002,431 is concentrated in education fees representing 100% of total revenue for the financial year ended 31 July 2021 (financial year ended 31 July 2020: SR 336,376,934, 96.9% are study revenue charges). Accordingly, all the Group's assets and liabilities are dedicated for education sector.

The Group is mainly involved in the establishment of national and international schools activity, kindergarten, primary and secondary schools for boys and girls in Riyadh region. Information related to operating segments of the Group mentioned below are regularly reported to Operating Decision Makers in the Group are described as follows:

- Private schools
- International schools
- Indian schools
- French schools

	As at and for the year ended 31 July 2021				Total
	Private schools	International schools	Indian schools	French schools	
Revenue	135,865,264	91,924,921	44,832,651	7,379,595	280,002,431
Cost of revenue	(105,319,474)	(66,942,723)	(26,339,029)	(6,074,275)	(204,675,501)
Gross profit	30,545,790	24,982,198	18,493,622	1,305,320	75,326,930
Property and equipment	412,645,087	74,856,384	6,565,099	1,075,897	495,142,467
Depreciation Property and equipment	10,638,463	3,670,563	1,462,132	316,813	16,087,971
	As at and for the year ended 31 July 2020				Total
	Private schools	International schools	Indian schools	French schools	Total
Revenue	197,556,415	85,205,468	44,522,195	9,092,856	336,376,934
Cost of revenue	(124,826,670)	(58,173,673)	(30,227,633)	(6,893,729)	(220,121,705)
Gross profit	72,729,745	27,031,795	14,294,562	2,199,127	116,255,229
Property and equipment	415,393,533	75,471,661	7,493,436	1,225,128	499,583,758
Depreciation Property and equipment	11,241,783	3,141,016	1,508,168	380,738	16,271,705

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

31. SEGMENT REPORTING (CONTINUED)

Reconciliation of information on reportable segments to the Group's net income before Zakat:

	<u>31 July 2021</u>	<u>31 July 2020</u>
Gross profit from reported segment	75,326,930	116,255,229
Unallocated amount:		
Other income	8,640,023	13,748,941
Impairment of accounts receivable	(693,663)	(9,010,960)
General and administrative expenses	(24,903,087)	(21,495,277)
Finance costs	(20,260,795)	(21,889,153)
Total unallocated amount	<u>(37,217,522)</u>	<u>(38,646,449)</u>
Income before Zakat	<u>38,109,408</u>	<u>77,608,780</u>

32. NON-CASH TRANSACTIONS

	<u>31 July 2021</u>	<u>31 July 2020</u>
Addition of Right-of-use assets against lease liabilities	65,198,999	284,677,430
Disposal of intangible assets against payable	83,964	-
Actuarial losses from employee post employment benefit remeasurement	5,974	6,195,445
Transferred from property and equipment to intangible assets	-	1,570,880
Unpaid dividends against accrued expenses and other current liability	-	74,191

33. ACQUIRING SUBSIDIARIES

The acquisition was calculated using the acquisition method under IFRS 3 - Business Combinations (the "Standard") with Ataa Educational Company being the acquiring party and Elm International Schools Company and Wasat National Training and Education Company being the acquired parties. As required by the standard, Ataa Educational Company is in the process of allocating the purchase consideration for identifiable assets and liabilities up to the date of issuance of the consolidated financial statements. Accordingly, Ataa Educational Company has calculated the acquisition based on the temporary fair values of the acquired assets and liabilities as on the date of acquisition, as independent evaluations have not been completed. The adjustment to these provisional values will be completed within twelve months from the date of acquisition as permitted by the standard.

The Company is in the process of making a comprehensive allocation of the purchase price, which is expected to be completed within twelve months from the date of acquisition and will focus, without limitation, on the completion of valuation adjustments on the following:

- recognition of intangible assets,
- property and equipment,
- Recognition of other financial and non-financial assets and liabilities,

The initial purchase price allocation is included in the consolidated financial statements. Subsequent adjustments will occur during the measurement period when the company completes its estimate of the fair values of the assets acquired and the liabilities assumed. Accounting for the fair value of the financial assets and liabilities acquired from Elm International Company and Wasat National Training and Education Company is provisional due to the inherent complexity and discretion associated with identifying intangible assets and determining the fair value of intangible assets and items included in the statement of financial position.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

33. ACQUIRING SUBSIDIARIES (CONTINUED)

A- Elm International Schools Company

As of August 1, 2020, the company acquired 100% of the capital of the International Elm Schools Company in exchange for a payment of 40 million Saudi riyals, and thus the company became controlling the Elm International Company. The activity of Elm International Company is as shown in Note (1). It qualifies as a commercial company as defined in IFRS 3. The Elm International Schools Company was acquired to develop the group's operations.

The book value of the identifiable assets and liabilities acquired from Elm International Schools Company amounted to SR 283,624. Goodwill was recognized in the amount of SR 39,716,376, which represents amounts in excess of the net book value of the identifiable net assets acquired.

The fair values have been determined based on the professional experience and judgment of the valuer, taking into account prevailing market conditions, current conditions of the assets and sources of market information. The valuation was carried out by an independent valuator according to international valuation standards. The valuation results were arrived at by reference to open market value models. The process of allocating the purchase price was carried out by an independent third party on the basis of the valuation report of the independent expert.

The legal procedures related to the purchase of the Elm International Company were completed during the year, and a no-objection approval was obtained from the General Authority for Competition.

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

	<u>Note</u>	<u>Fair value</u>
Property and equipment, net	6	1,742,211
Account receivables		2,970,736
Prepayments and other current assets		588,234
Cash and cash equivalents		1,207,778
Actuarial reserve		224,062
Employee post employment benefits	19-2	(1,534,035)
Revenue received in advanced		(2,080,145)
Account Payable		(233,929)
Accrued expenses and other current liabilities		(804,194)
Zakat provision	22-C	(432,094)
Due to a related party		(1,365,000)
Total of the identifiable assets and liabilities acquired		283,624
Goodwill	8	39,716,376
Total		40,000,000
<u>Net cash used generated from the acquisition</u>		
Accrued amounts		40,000,000
Cash and cash equivalents		(1,207,778)
Total		38,792,222

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2021
(Expressed in Saudi Riyals unless otherwise stated)

33. ACQUIRING SUBSIDIARIES (CONTINUED)

B- Wasat National Training and Education Company

As of 1 August 2020, the company acquired 52% of the capital of the Wasat National Training and Education Company in exchange for emptying a plot of land owned by the company under deed No. 610121031192 for the benefit of Wasat National Training and Education Company, with a book value of 20,099,200 Saudi riyals, and thus the company became controlling the Wasat National Training and Education Company. The activity of Wasat National Training and Education Company is as shown in Note (1). It qualifies as a commercial company as defined in IFRS 3. Wasat National Training and Education Company was acquired to develop the group's operations. The book value of the identifiable assets and liabilities acquired from Wasat National Training and Education Company amounted to 3,591,844 Saudi riyals. Goodwill was recognized in the amount of SAR 8,583,825, which represents amounts in excess of the net book value of the identifiable net assets acquired.

The fair values have been determined based on the professional experience and judgment of the valuer, considering prevailing market conditions, current conditions of the assets and sources of market information. The valuation was carried out by an independent valuator according to international valuation standards. The valuation results were arrived at by reference to open market value models. The process of allocating the purchase price was carried out by an independent third party on the basis of the valuation report of the independent expert.

The legal procedures related to the purchase of Al Wasat National Schools Company for Education and Training were completed during the year, and a no-objection approval was obtained from the General Authority for Competition.

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

	<u>Note</u>	<u>Fair value</u>
Property and equipment, net	6	558,947
Right-of-use assets, net	9	1,147,602
Account receivables		2,810,671
Prepayments and other current assets		651,241
Cash and cash equivalents		448,243
Employee post employment benefits	19-2	(591,132)
Lease liabilities under right-of-use assets	9	(1,198,386)
Zakat provision	22-C	(235,342)
Total of the identifiable assets and liabilities acquired		3,591,844
Goodwill	8	8,583,825
Total		12,175,669
<u>Net cash used generated from the acquisition</u>		
Accrued amounts		12,175,669
Cash and cash equivalents		(448,243)
Total		11,727,426

34. SUBSEQUENT EVENTS

On Muharram 1, 1443H, corresponding to August 9, 2021, Ataa Educational Company completed all procedures related to the acquisition and transfer of ownership of the shares of the Arab Group for Education and Training Company (a closed joint stock company) from the sellers to Ataa Educational Company in return for a payment of 138 million Saudi riyals.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 July 2021 have been approved by the Board of Directors on 20 Safar 1443H (corresponding to 28 September 2021).