

ACADEMY OF LEARNING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**

ACADEMY OF LEARNING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INDEX OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Academy of Learning Company
(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Academy of Learning Company "A Saudi joint Stock Company" ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and accompanying 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 December 31, 2022, 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 (ISAs) 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 of the group in accordance with the professional code of conduct 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 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 for the year ended December 31, 2022. 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 Auditors' Report for the audit of Academy of Learning Company
Consolidated Financial Statements for the year ended December 31, 2022 (Continued)*

Key audit matters (Continued)

Key audit matters include the following:

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
I- Revenue Recognition	
The group's revenues for the year ending on December 31, 2022 amounted to SR 62.9 million.	We have performed the following procedures to address this matter:
Revenues represent one of the significant indicators for measuring performance, and it follows that there are risks inherent in the process of recognizing the revenues through recognizing revenues in excess of their value.	- We assessed the appropriateness of the Group's accounting policies for the revenue recognition and in line with the requirements of International Financial Reporting Standard 15 "Revenue from Contracts with Customers".
Considering the significance of the recorded revenue value and the risks inherent in the revenue recognition process, revenue has been considered as a key audit matter.	- Tested a sample of recorded revenue transactions and compare it with supporting documents for the verification of the recorded revenue.
Refer to the significant accounting policies in Note 5 on revenue and Note 20 for more details on revenue	- Performed a cut-off test and ensured that revenue was recorded in the appropriate year.
	- Recalculated the value of the revenue for a sample of female students based on the agreed-upon fees and compared it with the total revenue recognized for them in the books.
	- Inquired from management representatives and those charged with governance about their knowledge of fraud risks and whether there were actual cases of fraud.
	- Assessed the completeness and sufficiency of disclosures relating to revenue in the consolidated financial statements.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we will 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.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditors' Report for the audit of Academy of Learning Company

Consolidated Financial Statements for the year ended December 31, 2022 (Continued)

Responsibilities of the Management and Those Charged with Governance ("TCWG") for the Consolidated Financial Statements

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

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

Those charged with governance in particular the Board of Directors and the Audit Committee 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 ISAs that are endorsed in 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 the 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 ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the 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 Group internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

*Independent Auditors' Report for the audit of Academy of Learning Company
Consolidated Financial Statements for the year ended December 31, 2022 (Continued)*

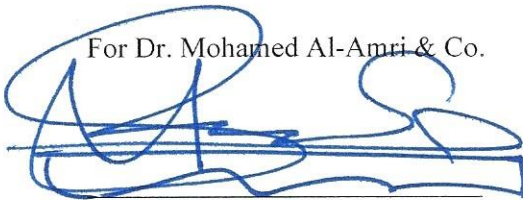
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our own audit opinion.

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

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

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

For Dr. Mohamed Al-Amri & Co.



Maher Al-Khatieb
Certified Public Accountant
Registration No. 514

Dammam, on 21 Shaaban 1444 (H)
Corresponding to: 13 March 2023 G



ACADEMY OF LEARNING COMPANY
(A SAUDI JOINT STOCK COMPANY)


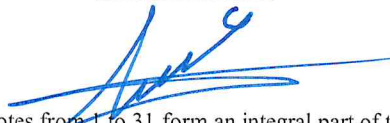
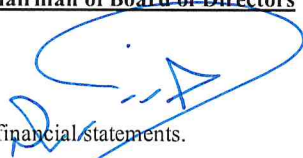
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

		December 31, 2022 SR	December 31, 2021 SR
Assets:	Notes		
Non-current assets			
Property and equipment	7	11,020,699	6,668,273
Right-of-use assets	8	7,569,750	4,550,536
Total non-current assets		18,590,449	11,218,809
Current assets			
Prepayments and other receivable balances	9	7,001,895	2,523,487
Inventory	10	2,152,025	833,965
Students' receivables	11	17,597,103	12,818,562
Deposits	12	50,000,000	-
Cash and cash equivalent	13	26,959,987	76,138,547
Total current assets		103,711,010	92,314,561
Total assets		122,301,459	103,533,370
Equity and liabilities:			
Equity			
Share capital	14	60,000,000	60,000,000
Statutory reserve	15	3,779,726	1,638,804
Retained earnings		41,786,096	31,517,796
Total equity		105,565,822	93,156,600
Non-current liabilities			
Employees defined benefits obligations	16-a	3,031,583	2,409,652
Lease liabilities	18	4,636,020	2,789,978
Total non-current liabilities		7,667,603	5,199,630
Current liabilities			
Trade payables		-	111,097
Accrued expenses and other payable balances	17	4,015,764	2,307,040
Lease liabilities	18	2,400,836	1,030,295
Provision for zakat	19-b	2,651,434	1,728,708
Total current liabilities		9,068,034	5,177,140
Total liabilities		16,735,637	10,376,770
Total equity and liabilities		122,301,459	103,533,370

Chief Executive Officer

Finance manager

Chairman of Board of Directors

The accompanying notes from 1 to 31 form an integral part of these financial statements.

ACADEMY OF LEARNING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**

		For the year ended	
		December 31, 2022 SR	December 31, 2021 SR
	Notes		
Revenues, net	20	62,914,246	42,280,009
Cost of revenues	21	(23,267,824)	(15,299,956)
Gross profit		39,646,422	26,980,053
General and administrative expenses	22	(9,408,891)	(4,263,402)
Selling and marketing expenses	23	(5,728,665)	(3,603,326)
Operating profit		24,508,866	19,113,325
Financing charges		(453,500)	(577,700)
Expected credit losses	11	(1,549,408)	(608,793)
Other income	24	1,560,387	-
Net Profit before zakat		24,066,345	17,926,832
Provision for Zakat	19-c	(2,704,359)	(1,728,708)
Net profit for the year		21,361,986	16,198,124
Other comprehensive income Items:			
<i>Items have not been reclassified to profit or loss:</i>			
Actuarial gains / (losses) on re-measurement of employees' end of service benefits	16-c	47,236	(310,085)
Other comprehensive income /loss		47,236	(310,085)
Total comprehensive income		21,409,222	15,888,039
Basic and diluted earnings per share	29	3.56	3.08

Chief Executive Officer

Finance manager

Chairman of Board of Directors

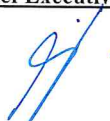
The accompanying notes from 1 to 34 form an integral part of these financial statements.

ACADEMY OF LEARNING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total equity SR
Balance on January 01, 2021	100,000	50,000	20,518,561	20,668,561
Addition in share capital	59,900,000	-	-	59,900,000
Dividends	-	-	(3,300,000)	(3,300,000)
Net profit for the year	-	-	16,198,124	16,198,124
Other comprehensive loss	-	-	(310,085)	(310,085)
Total comprehensive income	-	-	15,888,039	15,888,039
Transfer to statutory reserve	-	1,588,804	(1,588,804)	-
Balance on December 31, 2021	60,000,000	1,638,804	31,517,796	93,156,600
Dividends	-	-	(9,000,000)	(9,000,000)
Net profit for the year	-	-	21,361,986	21,361,986
Other comprehensive income	-	-	47,236	47,236
Total comprehensive income	-	-	21,409,222	21,409,222
Transfer to statutory reserve	-	2,140,922	(2,140,922)	-
Balance on December 31, 2022	60,000,000	3,779,726	41,786,096	105,565,822

Chief Executive Officer



Finance manager



Chairman of Board of Directors



The accompanying notes from 1 to 31 form an integral part of these financial statements.

ACADEMY OF LEARNING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	For the year ended	
	December 31, 2022 SR	December 31, 2021 SR
Cash flows from operating activities		
Net profit before Zakat	24,066,345	17,926,832
<i>Adjustments for:</i>		
Depreciation on property and equipment	1,617,092	1,223,230
Depreciation on right-of-use assets	2,563,297	2,057,564
Provision for expected credit losses	1,549,408	608,793
Financing expenses	453,500	577,700
Deposits income	(835,305)	-
Cost of service for Employees 'end of service benefits obligations	828,933	579,744
	30,243,270	22,973,863
Changes in operation assets and liabilities		
Related parties	-	6,420,903
Prepayments and other receivable balances	(3,643,103)	(1,868,516)
Inventory	(1,318,060)	(754,295)
Students' receivables	(6,327,949)	(3,864,098)
Accrued expenses and other payable balances	1,708,724	(1,522,442)
Trade payables	(111,097)	280,750
Employees 'end of service benefits – paid	(159,766)	(84,198)
Financing expenses – paid	(71,978)	(299,830)
Zakat – paid	(1,781,633)	(511,104)
Net cash generated from operating activities	18,538,408	20,771,033
Cash flows from investing activities		
Additions to property and equipment	(5,969,518)	(1,483,926)
Deposits	(50,000,000)	-
Net cash used in investing activities	(55,969,518)	(1,483,926)
Cash flows from financing activities		
Additional capital	-	59,900,000
Dividends	(9,000,000)	(3,300,000)
Repayment of lease liabilities	(2,747,450)	(2,516,778)
Change in loans	-	(3,000,000)
Net cash (used in) / generated from financing activities	(11,747,450)	51,083,222
Net change in cash and cash equivalent	(49,178,560)	70,370,329
Cash and cash equivalent at the beginning of the year	76,138,547	5,768,218
Cash and cash equivalent at the end of the year	26,959,987	76,138,547

Chief Executive Officer

Finance manager

Chairman of Board of Directors

The accompanying notes from 1 to 31 form an integral part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
Expressed in Saudi Riyals

1. ORGANIZATION AND ACTIVITIES

Academy of Learning Company ("the Company") is a Saudi Joint Stock Company - Dammam - Kingdom of Saudi Arabia operating under the commercial registration in Dammam under No. 2050047188 dated Dhul Qadah 15, 1425 -H (corresponding to December 27, 2004) and its main office is in Dammam. The main activity is wholesale of computers and their accessories, including (selling printers and their inks), administrative training institutes.

These financial statements include the following branches whose activities are represented in training institutes under licenses from the General Corporation for Technical and Vocational Training:

Name	CR. NO	Date of CR	City
Canadian Languages Centre	2050055639	23/06/1428	Dammam
Higher women Academy institute for training	2051040924	09/10/1430	Al-Khobar
Higher women Academy institute for training	2055013985	23/09/1432	Al-Jubail
Canadian Languages Centre	2055013984	23/09/1432	Al-Jubail
Canadian Languages Centre	2053025339	01/06/1433	Al-Qatif
Higher women Academy institute for training	2050097822	03/04/1435	Dammam
Canadian Languages Centre	2050097826	03/04/1435	Dammam
Higher women Academy institute for training	2252058424	13/09/1435	Al-Ihsa
Canadian Languages Centre	2051059261	13/01/1436	Al-Khobar
Higher women Academy institute for training	2053032147	18/02/1436	Al-Qatif
Canadian Languages Centre	1010428951	25/06/1436	Riyadh
Canadian Languages Centre	2252064339	17/03/1437	Al-Ihsa
Academy of Learning Company	1010623225	25/05/1441	Riyadh

On May 30, 2021, the company's legal entity was modified from a limited liability company to a Saudi Joint Stock Company, and the company's articles of association were amended with the entry of new shareholders and the increase of the capital (note 14).

The Extraordinary General Assembly of the company decided at its meeting held on June 29, 2021, that the company's shares to be registered for the purpose of direct listing in the parallel market "Nomu" and taking of necessary measures, The company is listed in the parallel market on July 18, 2022.

2. GROUP ORGANIZATIONAL STRUCTURE

The consolidated financial statements as at December 31, 2022 include the financial statements of the company and the following subsidiary company mentioned below (collectively referred to as the "Group"):

Name of consolidated subsidiary	Main activity	Actual ownership percentage
Academy of learning for investment Co (*)	Real estate investment	100%

(*) On Jumada Al-Awwal 24, 1444 -H, corresponding to December 18, 2022, the company established Academy of Learning for Investment Company, a single partner - a limited liability company with commercial registration No. 2050165590, based in Dammam, with a share capital of SR 100,000, 100% owned by the Academy of Learning Company. The company involves in the activity of buying and selling of real estate, managing and renting real estate, real estate development, real estate brokerage and real estate marketing, provided that the first financial year of the company according to the Memorandum of Association starts from December 18, 2022 until December 31, 2023. The company has not paid the company's capital that is stated in the commercial registration until the date of the financial statements, In addition, the subsidiary did not practice any commercial activity until the date of the financial statements.

3. BASIS OF PREPARATION

3-1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the chartered and professional Accountants.

The consolidated financial statements have been prepared according to the historical cost principle, unless the International Financial Reporting Standards allow measurement in accordance with other valuation methods, as indicated in the note on the main accounting policies.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
Expressed in Saudi Riyals

3. BASIS OF PREPARATION (Continued)

3-2 Preparation of consolidated financial statements

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the amounts disclosed in the consolidated financial statements. These significant estimates and assumptions are disclosed to the consolidated financial statements in Note (6).

3-3 Basis of consolidation

The consolidated financial statements include the financial statements of the Academy of Learning Company and its subsidiary (the Group) as mentioned in Note (2).

Control is achieved when the group has:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Consolidated Statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiary is attributed to the shareholders of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyals**

3. BASIS OF PREPARATION (CONTINUED)

3.3 Basis of Consolidation (Continued)

When necessary, adjustments are made to the consolidated financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, any profit or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

The following new accounting standards, interpretations and amendments to existing standards have been published by IASB and are mandatory for the accounting period beginning on January 1, 2022 or after.

Standards and amendments issued and applied from January 1, 2022

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

Amendments to standard	Description	Effective for annual years beginning on or after
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IFRS 3	Reference to the Conceptual Framework	January 1, 2022

New standards, amendments and revised IFRS issued but not yet effective

The Group has not early applied the following new and revised IFRSs and amendments that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after
IAS 8	Definition of accounting estimates	January 1, 2023
IAS 1, IFRS practice statement 2	Disclosure of Accounting Policies	January 1, 2023
IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 16	Amendment – Liability in a Sale and Leaseback	January 1, 2024
IAS 1	Amendment – Classification of Liabilities as Current or Non-current	January 1, 2024
IAS 1	Amendment – Non-current Liabilities with Covenants	January 1, 2024

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyals**

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies used by the Group in preparing the consolidated financial statements:

(A) Classification of current and non-current

- The Group presents assets and liabilities in the statement of financial position on the basis of their classification as current / non-current.

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in 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.

(B) Property and equipment

Property and equipment, excluding capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Capital work-in-progress is stated at cost less impairment losses, if any.

Historical cost includes expenditure directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or to be stated as a separate asset, as appropriate, only when it is probable that the economic benefits associated with the asset will flow to the Company and the cost can be measured reliably.

Depreciation is recognized to write off the cost of assets after deducting their residual value over their useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and any changes are accounted for on a prospective basis.

The Group applies the following estimated useful lives for property and equipment:

Type of asset	Percentage
Improvements on leasehold premises	10%-33%
Electrical appliances and software	15%-25%
Furniture and decorations	15%
Motor vehicles	25%
Tools	15%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyals**

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Property and equipment used under finance lease contracts are depreciated over the shorter of the useful life of the asset or the lease term, if there is no reasonable assurance that the Group will obtain ownership at the end of the lease term.

Stored materials and spare parts with a useful life of more than one year are depreciated over their estimated useful lives.

Any item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its continued use or sale. Any gain or loss arising on the disposal of an item of property and equipment, which is determined as the difference between the net sales proceeds and the book value of the asset, is recognized in profit or loss.

(C) Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which it is a lessee, except for short-term leases (defined as leases of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the lease term unless there is another systematic basis for the time pattern in which economic benefits from the leased asset are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including fixed payments), less any lease incentives.
- variable lease payments that depend on an index or rate, initially measured using the index or rate on the commencement date,
- the amount the lessee is expected to pay under residual value guarantees,
- The exercise price of the purchase options, if the lessee is reasonably certain to exercise the options, and
- Pay penalties for terminating the lease, if the lease reflects the exercise of an option to terminate the lease.

The lease liability is shown separately in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by decreasing the carrying amount to reflect the lease payments.

The Group remeasures the lease liability (and makes an adjustment to the right-of-use of the related asset) if:

- The terms of the lease have changed or there has been a change in the valuation of exercising the purchase option, in which case the lease liability is remeasured by discounting the modified lease payments using a modified discount rate.
- Lease payments have changed because of changes in an index or rate or a change in the expected payment according to the guaranteed residual value, in which case the lease liability is remeasured by discounting the adjusted lease payments using the initial discount rate (unless the lease payments have changed because of a change in the prevailing interest rate, in this case an adjusted discount rate is used).
- The lease is modified and the lease modification has not been accounted for as a separate lease, in which case the lease liability is re-measured by discounting the modified lease payments using a modified discount rate.

The Group has not made any such adjustments during the periods presented.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day and any initial direct costs. Subsequently, they are measured at cost less accumulated depreciation and impairment losses.

The right of use the assets is depreciated over the shorter of the lease period and the defined useful life. If the lease transfers the ownership of an identified asset or the cost of a right-of-use asset, this reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the asset. Depreciation begins on the lease commencement date.

Right-of-use assets are presented as a separate line item in the statement of financial position.

The Group applies International Accounting Standard (36) "Impairment of Assets" to determine if there is any impairment in the value of right-of-use assets.

(D) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Impairment of assets (continued)

When a reasonable and consistent basis of allocation can be identified, the joint assets are also allocated to CGUs, or to the smallest group of cash-generating units for which a reasonable and consistent basis of allocation can be identified. The cash-generating unit to which the goodwill has been allocated is tested for impairment annually, and whenever there is an indication of impairment, by comparing the unit's carrying amount, including goodwill, with the unit's recoverable amount. Intangible assets with an undefined useful life are not amortized. Instead, the asset is tested to determine the impairment annually, and whenever there is an indication of impairment of the asset.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the assessment of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the reassessed recoverable amount, so that the revised carrying amount does not exceed the amount of the asset (or cash-generating unit) that had not been recognized for the impairment loss in previous years. Reversal of an impairment loss is recognized directly in profit or loss. An impairment loss recognized in past periods for goodwill is not reversed in the subsequent period.

(E) Cash and cash equivalent

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and deposits with banks, all of which are available for use by the Group unless otherwise stated, with maturity of three months or less, and which are subject to an insignificant risk of change in value.

(F) Financial instruments

Financial assets and financial liabilities are recognized in the company's statement of financial position when the group becomes a party to the contractual terms of these instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized in profit or loss when incurred.

FINANCIAL ASSETS

Recognition and derecognition of all purchases or sales of financial assets are done in the usual way on the basis of the trading date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the defined time frame established under regulation or market convention. All recognized financial assets are subsequently measured at amortized cost or fair value, depending on the classification of the financial assets.

CLASSIFICATION OF FINANCIAL ASSETS

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are single payments of principal and interest on the outstanding principal amount.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) Financial instruments (continued)

Debt instruments that meet the following conditions are measured at fair value subsequently through other comprehensive income:

- The financial asset is held within a business model whose objective is both to collect contractual cash flows and to sell financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are single payments of principal and interest on the outstanding principal amount.

The Group does not have any debt instruments measured at fair value through other comprehensive income.

By default, all other financial assets are subsequently measured at FVTPL. The Group does not have any financial assets measured at fair value through profit or loss.

In spite of the foregoing, the Company may make the following irrevocable selections/appointments upon initial recognition of a financial asset:

- The company may irrevocably elect to present subsequent changes in the fair value of the equity investment in other comprehensive income if certain criteria are met as set out in the relevant IFRSs; and
- The Company may irrevocably designate any debt investment as at amortized cost or at FVTOCI if it is measured at FVTPL if doing so results in a material omission or reduction in the unmatched accounts.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period.

For financial assets other than purchased or credit-impaired financial assets (such as assets that are impaired on initial recognition), the effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, if appropriate, for a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For financial assets that have been purchased or credit-impaired, the adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured on initial recognition less principal repayments, plus the cumulative amortization using the effective interest method as the difference between that initial amount and the maturity amount, adjusted for a loss allowance. The gross carrying amount of a financial asset is the amortized cost of the financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest rate method for debt instruments subsequently measured at amortized cost and at FVOCI. For financial assets other than purchased or credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for financial assets that subsequently become impaired.

For financial assets that subsequently become impaired, interest income is recognized by applying the effective interest rate at the amortized cost of the financial asset. In subsequent reporting periods, if the credit risk on credit-impaired assets improves such that the financial asset is no longer impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognized in profit or loss.

Gains and losses of exchange of foreign currencies

The carrying amount of financial assets denominated in foreign currency is determined in that foreign currency and translated at the prevailing rate at the end of each reporting period. For financial assets measured at amortized cost, translation differences are recognized in profit or loss.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on trade receivables and contract assets. The expected credit loss amounts are updated at each reporting date to reflect changes in credit risk since the initial recognition of the financial instrument. The Group always records lifetime expected credit losses for trade receivables and contract assets. Expected credit losses on these financial assets are estimated using a provision matrix which is based on the Group's historical experience in estimating credit losses, adjusted for factors specific to the debtors, general economic conditions and an assessment of both the current trend as well as forecast conditions at the reporting date, including the time value of money when appropriate.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) Financial instruments (continued)

Concept of Default

The Group considers the event to be a default for the purposes of internal credit risk management based on the past experience and professional judgment of management that financial asset that meet any of the following criteria are doubtful of recovery:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors in full, including the Group (without regard to any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default can occur when a financial asset or debtor is past due by more than the average allowable credit limit of 90 days.

Financial assets with low credit value

A financial asset is credit-impaired when one or more events have occurred that have a detrimental effect on the estimated future cash flows of that financial asset. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as default or past due date;
- the lender(s) to the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, after granting to the borrower a privilege(s) that the lender would not otherwise consider;
- It is becoming more likely that the borrower will enter bankruptcy or other financial rescheduling; or
- The disappearance of an active market for that financial asset due to financial difficulties.

Write -off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed into liquidation or entered bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under group recovery procedures, subject to legal advice when appropriate. Any refunds are recognized in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is indication of the probability of default, or the loss arising at default (i.e., the volume of the loss if there is a default) and exposure to default. The assessment of the probability of default and loss arising at default is based on historical data adjusted by forward-looking information as described above. As for the exposure to default, with regard to financial assets, this is recorded in the total book value of the assets at the reporting date. For financial guarantee contracts, exposure includes the amount drawn at the reporting date, together with any additional amounts expected to be drawn in the future by default date determined based on historical trend, the Group's understanding of the identified future financing needs of debtors, and other relevant forward-looking information.

For financial assets, expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL amount at the previous reporting date, but determines at the current reporting date that it does not meet the lifetime ECL criteria. The Group measures the loss allowance at an amount equal to 12 months expected credit losses at the current reporting date, except for assets for which the simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognize the financial asset and also acknowledges the secured borrowing of consideration received.

Upon derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable recognized in profit or loss.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) Financial instruments (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the consideration received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL. The Group does not have any financial liabilities that are measured at FVTPL.

Financial liabilities that are not (i) contingent consideration for the acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (if appropriate), a shorter period, to the amortized cost of the financial liability.

Gains and losses of translation of foreign currencies

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, foreign currency gains and losses are determined based on the amortized cost of the instruments and are recognized in profit or loss.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the Group's obligations are discharged, canceled or expired. The difference between the carrying amount of the canceled financial liabilities and the consideration paid and payable is recognized in profit or loss.

(G) Statutory reserve

According to the company's Articles of Association and the Saudi Regulations of Companies, the group must transfer 10% of the annual net profit to the statutory reserve until it becomes 30% of the share capital.

(H) Dividends

A liability is recognized for cash or non-cash dividends to equity holders when the dividends are approved by the general assembly of the shareholders for annual distribution. Dividends are approved after the approval of the General Assembly. Non-cash dividends are measured at the fair value of the assets to be distributed with a re-measurement of the fair value recognized directly in equity.

(I) Employees defined benefits obligations

End of service benefits are calculated using the projected unit credit method at the end of each financial year, with actuarial valuations performed at the end of each reporting period. Revaluation of defined benefit obligations consisting of actuarial gains and losses is recognized directly in other comprehensive income in the periods in which the revaluation. Re-measurements recognized in other comprehensive income are recognized immediately in retained earnings and not recognized in profit or loss in subsequent periods. Changes in the present value of the benefit obligations, arising from changes and curtailments, are recognized directly in profit or loss as service costs from prior periods.

Interest is calculated by using the starting-period discount rate on the employee defined benefit obligation. Defined benefit costs are classified as follows:

- cost of service (including current and past service costs, plus gains and losses on curtailments and settlements);
- cost of interests
- re-measurements

The Group presents the first two components of defined benefit costs within profit or loss in the related line items.

(J) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) Provisions (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its book value is the present value of those cash flows (when the effect of the time value of money is material). When deducting provisions, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities

Contingent liabilities are disclosed when there is a contingent liability arising from past events. Its existence is ascertained only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely outside the control of the Group, or the present obligation that arises from past events where it is not probable that an outflow of cash will be required to settle it or that a reliable estimate cannot be made for the amount.

(K) Zakat

The Group is subject to zakat in accordance with the regulations of the Authority for Zakat, Tax and customs applicable in the Kingdom of Saudi Arabia. The Group provides zakat by calculating zakat on an accrual basis. Zakat is calculated on the basis of the higher of Zakat base or the adjusted net income.

Any differences in the estimate are recorded when the final assessment is approved, at which point the provision is closed. The zakat charge is included in the statement of comprehensive income. Zakat is calculated using the applicable rates at the end of the reporting period.

(L) Revenue recognition

Revenue is measured through the consideration to which the Group expects to be entitled to in a contract entered into with the customer. The Group recognizes the revenue when control of the service is transferred to the customer.

Rendering of services

The company provides services related to academic training. Revenue from services contracts is recognized based on the value of the work provided to the customer in accordance with the terms and rates specified in the service contracts. Revenue from rendering of services is recognized in the accounting period in which the services are provided.

For fixed-price contracts, revenue is recognized based on the actual service provided at the end of the financial period as a percentage of the total services to be provided as the customer simultaneously receives the benefits. It is determined based on the number of actual working-hours incurred to the total expected working-hours. Services provided but not billed at the end of the financial period are shown as accrued revenue.

When contracts contain various performance obligations, the transaction price will be allocated to each performance obligation based on the specified selling prices. Where such risks cannot be directly observed, they are estimated based on the expected cost as well as the profit margin. If the contract includes an hourly rate of labour, revenue is recognized at the amount that the company is entitled to invoice. Customers are billed on a monthly basis and the amount is due from the customer upon issue of the invoice. In the case of fixed-price contracts, the customer pays specific amounts based on the payment schedule. Amounts received from clients relating to services that were not performed at the end of the financial period are shown as advance payments from customers.

Other service revenue is recognized when the services are provided.

(M) Cost of revenues

Revenue cost includes all direct costs, including direct labour, direct materials, and production-related expenses.

(N) Expenses

Selling and marketing expenses mainly consist of costs incurred in distributing and selling the company's products. All other expenses are classified as administrative expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Group financial statements requires management to make judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets, and liabilities, and to disclose potential liabilities at the reporting date. However, uncertainty about these assumptions and estimates leads to results that may require substantial adjustments to the book value of the asset or the liabilities affected in the future. These estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the period of the revision and future periods if the changed estimates affect both the current and future periods.

The following are the key assumptions related to the future and other major sources of uncertainty as at the date of the consolidated statement of the financial position, which pose a high risk leading to material adjustments to the carrying amounts of assets and liabilities during the next financial year. The company relies in its assumptions and estimates on standards available to it when preparing the consolidated financial statements, and these assumptions and estimates about future developments may change as a result of market changes and circumstances outside the control of the company, and such changes to the assumptions are disclosed when they occur.

a) Useful lives and residual values of property, equipment

The useful lives and residual values of property and equipment are estimated for the purposes of calculating depreciation. These estimates are prepared based on the expected use of the useful lives. The residual value is determined based on experience and observable data where available.

The useful life and residual values of the Group assets have been determined by the management based on the technical evaluation at the time of purchasing the asset, and it is reviewed annually to ensure its suitability. The useful life is based on historical experience with similar assets as well as anticipation of future events that may affect the life of the asset such as the changes in technology.

b) Lease liabilities

The value of the lease liabilities is determined by the present value of the lease payments using an appropriate discounting rate which represents the incremental borrowing rate.

c) Estimation of zakat

The zakat expense on the Group normal activities is represented by the total zakat. Calculating zakat imposed on the Group necessarily involves a degree of estimation and judgment regarding some items, which cannot be finally determined until a settlement is reached with the concerned party and in accordance with the relevant legal decisions.

d) Impairment of trade receivables

The Group measures the loss allowance for trade receivables as an amount equal to lifetime expected credit losses. The expected credit losses in trade receivables are estimated using a provision matrix by referring to past experience of default, analysis of the debtor's current financial position, adjusting the special elements of debtors, general economic conditions of the nature of the debtor's business and evaluating the current and future trend of conditions at the reporting date. Trade receivables are normally assessed collectively unless an assessment of a specific receivable is required on an individual basis.

e) Revenue recognition

To determine the amount of contract revenue to be recognized, significant use of estimates is made in determining revenue, costs, and profits and in allocating amounts to accounting periods. Changes to the original estimates may be required during the contract period and these estimates are reviewed on a regular basis. The Company continually evaluates the assumptions, risks, and uncertainties associated with the application of this accounting method.

f) Actuarial evaluation of employees defined benefits obligations

The cost of defined employee benefit obligations is determined in accordance with the Saudi Labour Law, and then measured using actuarial valuation. The actuarial valuation includes many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employee behaviour, and employee turnover. Given the complexity of the assessment and its long-term nature, the unfunded defined reward obligation is highly sensitive to changes in these assumptions. Therefore, all assumptions are reviewed at least annually when necessary.

ACADEMY OF LEARNING COMPANY
(A SAUDI JOINT STOCK COMPANY)

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7- PROPRY AND EQUIPMENT

2022	Improvements of leasehold premises SR	Electrical appliances and software SR	Furniture and decorations SR	Motor vehicles SR	Tools SR	Projects in progress SR	Total SR
Cost							
Balance at January 1, 2022	2,722,661	9,597,901	3,307,102	505,063	987,642	179,886	17,300,255
Transfers from right of use assets	-	-	-	194,633	-	-	194,633
Additions during the year	1,925,096	2,925,048	856,679	-	262,695	-	5,969,518
Transfers	179,886	-	-	-	-	(179,886)	-
Cost at December 31, 2022	4,827,643	12,522,949	4,163,781	699,696	1,250,337	-	23,464,406
Accumulated Depreciation:							
Balance at January 1, 2022	774,377	6,725,980	2,122,372	484,705	524,548	-	10,631,982
Transfers from right of use assets	-	-	-	194,633	-	-	194,633
Depreciation charge for the year	411,389	739,387	315,166	8,241	142,909	-	1,617,092
Depreciation at December 31, 2022	1,185,766	7,465,367	2,437,538	687,579	667,457	-	12,443,707
Net Book Value:							
At December 31, 2022	3,641,877	5,057,582	1,726,243	12,117	582,880	-	11,020,699

Allocation of annual depreciation is as follows:

Charged to each of:	December 31, 2022 SR	December 31, 2021 SR
Cost of revenues	1,608,851	1,217,014
General and administrative expenses	8,241	6,116
	1,617,092	1,223,130

ACADEMY OF LEARNING COMPANY
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7.PROPERTY AND EQUIPMENT (CONTINUED)

2021	Improvements of leasehold premises SR	Electrical appliances and software SR	Furniture and decorations SR	Motor vehicles SR	Tools SR	Projects in progress SR	Total SR
<u>Cost</u>							
Balance at January 1, 2021	2,528,911	8,780,650	3,015,463	361,678	986,242	-	15,672,944
Transfers from right of use assets	-	-	-	143,385	-	-	143,385
Additions during the year	193,750	817,251	291,639	-	1,400	179,886	1,483,926
Balance at December 31, 2021	2,722,661	9,597,901	3,307,102	505,063	987,642	179,886	17,300,255
<u>Accumulated Depreciation:</u>							
Balance at January 1, 2021	494,879	6,185,237	1,859,305	331,978	393,968	-	9,265,367
Transfers from right of use assets	-	-	-	143,385	-	-	143,385
Depreciation charge for the year	279,498	540,743	263,067	9,342	130,580	-	1,223,230
Depreciation at December 31, 2021	774,377	6,725,980	2,122,372	484,705	524,548	-	10,631,982
Net Book Value:							
At December 31, 2021	1,948,284	2,871,921	1,184,730	20,358	463,094	179,886	6,668,273

ACADEMY OF LEARNING COMPANY
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8. RIGHT-OF-USE ASSETS

	Leasehold premises	Motor vehicles	Total
	SR	SR	SR
<u>December 31, 2022</u>			
<u>Cost</u>			
Cost at January 01, 2022	9,913,545	194,633	10,108,178
Transfers to property and equipment	-	(194,633)	(194,633)
Disposals	(3,959,224)	-	(3,959,224)
Additions during the year	5,582,511	-	5,582,511
Balance at December 31, 2022	11,536,832	-	11,536,832
<u>Accumulated amortization</u>			
Accumulated Amortization at January 01, 2022	5,390,813	166,829	5,557,642
Transfers to property and equipment	-	(194,633)	(194,633)
Disposals	(3,959,224)	-	(3,959,224)
Depreciation charge during the year	2,535,493	27,804	2,563,297
Balance at December 31, 2022	3,967,082	-	3,967,082
Net book value at December 31, 2022	7,569,750	-	7,569,750
	Leasehold premises	Motor vehicles	Total
	SR	SR	SR
<u>December 31, 2021</u>			
<u>Cost</u>			
Cost at January 01, 2021	10,935,134	338,018	11,273,152
Transfers to property and equipment	-	(143,385)	(143,385)
Disposals	(1,531,459)	-	(1,531,459)
Additions during the year	509,870	-	509,870
Balance at December 31, 2021	9,913,545	194,633	10,108,178
<u>Accumulated amortization</u>			
Accumulated amortization at 1 January 2021	4,931,440	243,482	5,174,922
Transfers to property and equipment	-	(143,385)	(143,385)
Disposals	(1,531,459)	-	(1,531,459)
Depreciation charge during the year	1,990,832	66,732	2,057,564
Balance at 31 December 2021	5,390,813	166,829	5,557,642
Net book value at December 31, 2021	4,522,732	27,804	4,550,536

- Depreciation charged during the year is recorded within cost of revenue.

9. PREPAYMENTS AND OTHER RECEIVABLE BALANCES

	December 31, 2022	December 31, 2021
	SR	SR
VAT	4,739,825	1,683,737
Advance payments to suppliers	1,030,998	570,525
Accrued deposits interests	802,915	-
Prepaid expenses	160,243	116,836
Employee's custodies	170,584	55,061
Other	97,330	97,328
	7,001,895	2,523,487

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10. INVENTORY

It is represented in the inventory of iPads that are delivered to the new students at the beginning of the study

	December 31, 2022	December 31, 2021
	SR	SR
Inventory	2,152,025	833,965
Balance at the end of the year	2,152,025	833,965

11. STUDENTS' RECEIVABLES

	December 31, 2022	December 31, 2021
	SR	SR
Students' receivables	20,352,454	14,024,505
Provision for expected credit losses	(2,755,351)	(1,205,943)
	17,597,103	12,818,562

Movement in provision for expected credit losses:

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	1,205,943	597,150
Addition	1,549,408	608,793
Closing balance	2,755,351	1,205,943

12. DEPOSITS

It represents a deposit of SR 50,000,000 that was subscribed on August 14, 2022 in a local bank for a period of one year until August 14, 2023, with a return rate of 4%.

13. CASH AND CASH EQUIVALENT

	December 31, 2022	December 31, 2021
	SR	SR
Cash at banks	6,959,987	76,138,547
Short term Murabaha deposits (*)	20,000,000	-
	26,959,987	76,138,547

(*) They are deposits with local banks, with an average return on short-term Murabaha deposits of approximately 4%.

14. SHARE CAPITAL

The capital of the group amounted to SR 60,000,000 divided into 6,000,000 shares, the nominal value of the share is ten SR (10), (on December 31, 2021, SR 60,000,000 divided into 6,000,000 shares, the value of each share is SR 10), and the capital is distributed between shareholders in varying proportions.

On May 30, 2021, the company's legal entity was transformed from a limited liability company into a closed Saudi joint stock company, the capital was increased by SR 59,900,000, and the entry of new shareholders, the adjustment of shareholders' shares, and the increase of the number of shares by issuing 5,999,000 additional shares, and the reduction of the share value from SR 100 /share to SR 10 /share.

15. STATUTORY RESERVE

According to the company's articles of association, the Group must annually transfer 10% from the net profit to the statutory reserve, whenever it reaches 30% of the share capital the formation of the statutory reserve stops. This reserve is not available for distribution to the shareholders

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16. EMPLOYEES 'DEFINED BENEFITS OBLIGATIONS

16-a Movement of the employees defined benefits obligations:

	December 31, 2022	December 31, 2021
	SR	SR
Balance at beginning of the year	2,409,652	1,604,021
Current service cost	768,359	536,010
Interest cost	60,574	43,734
Paid during the year	(159,766)	(84,198)
Actuarial (profits) / losses	(47,236)	310,085
Balance at end of the year	3,031,583	2,409,652

16-b Charged to profit or loss:

	December 31, 2022	December 31, 2021
	SR	SR
Current cost of service	768,359	536,010
Interest cost	60,574	43,734
	828,933	579,744

16-c Charged to other comprehensive income:

	December 31, 2022	December 31, 2021
	SR	SR
Actuarial (profits)/ losses from remeasurement	(47,236)	310,085
	(47,236)	310,085

16- d Key actuarial assumptions as follows:

	December 31, 2022	December 31, 2021
Discount rate	4.12%	2.60%
Annual salary increase rate	4%	3%

The sensitivity of the defined benefit obligations for changes in key weighted assumptions as the balance of the obligation will become for the year ended December 31, 2022 as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Discount rate + 1%	2,853,767	2,260,655
Discount rate – 1%	3,232,253	2,578,870
Salary increase rate + 1%	3,230,466	2,576,442
Salary increase rate - 1%	2,851,945	2,259,832

17. PREPAYMENTS AND OTHER PAYABLE BALANCES

	December 31, 2022	December 31, 2021
	SR	SR
Revenues received in advance	1,788,166	1,154,532
Accrued vacations and tickets	1,157,717	778,476
Accrued expenses	312,938	164,032
Accrued benefits	511,500	-
Remunerations of board of directors and audit committee	145,000	-
Other payable balances	100,443	210,000
	4,015,764	2,307,040

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18. LEASES LIABILITIES

	December 31, 2022	December 31, 2021
	SR	SR
Leases non-current portion	4,636,020	2,789,978
Leases current portion	2,400,836	1,030,295
	7,036,856	3,820,273

- The total amounts paid from lease obligations during the year amounted to SR 2,747,450, (2021 SR 2,516,778).

- The total financing expenses resulting from lease obligations during the year amounted to SR 392,926, (2021 SR 277,870).

The table below summarizes the maturity of lease obligations based on undiscounted contractual payments:

	December 31, 2022	December 31, 2021
	SR	SR
Less than a year	2,724,550	1,254,450
From a year to 5 years	5,240,550	3,073,100
More than 5 years	-	250,000
	7,965,100	4,577,550

19. ZAKAT PROVISION

a- The components of zakat base are represented in the following:

	December 31, 2022	December 31, 2021
	SR	SR
Opening share capital	60,000,000	100,000
Retained earnings	22,517,796	17,218,561
Reserves and provisions	5,094,633	2,166,973
Other additions	8,191,388	40,258,367
Profit subject to zakat for the year	26,444,686	19,115,369
Long term assets	(11,020,699)	(6,668,273)
Other deductions	(7,569,750)	(4,550,536)
Zakat base	103,658,054	67,640,461
Accrued zakat	2,651,434	1,728,708

b- Movement of Zakat provision

	December 31, 2022	December 31, 2021
	SR	SR
Balance at beginning of the year	1,728,708	511,104
Zakat assessment	52,925	-
Paid	(1,781,633)	(511,104)
Provided for the year	2,651,434	1,728,708
Balance at end of the year	2,651,434	1,728,708

c- Movement of Zakat expense for the year

	December 31, 2022	December 31, 2021
	SR	SR
Zakat assessment	52,925	-
Provided for the year	2,651,434	1,728,708
Balance at end of the year	2,704,359	1,728,708

d- Zakat assessment status

The company has submitted zakat returns for the years up to 2021. The Authority for Zakat, tax and customs has reviewed the zakat returns submitted by the company and the final assessment has been made, and payment for the years up to 2020.

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20. REVENUES, NET

	For the year ended	
	December 31, 2022	December 31, 2021
	SR	SR
Revenues, net	62,914,246	42,280,009
	62,914,246	42,280,009

Revenues are represented in the revenues of the educational services provided by the Group in accordance with the instructions issued by the Technical and Vocational Training Authority, in addition to the revenues of foreign language courses. All revenues are earned inside the Kingdom of Saudi Arabia.

21. COST OF REVENUES

	For the year ended	
	December 31, 2022	December 31, 2021
	SR	SR
Salaries, Wages and Equivalent	9,021,374	6,343,847
Educational tools	5,631,038	2,466,167
Depreciation	1,608,851	1,217,014
Depreciation of right of use assets	2,563,297	2,057,564
Government fees and licenses	324,796	167,850
Vacations and air tickets	761,378	637,000
End of service benefits	461,015	420,000
Electricity	214,573	155,300
Internet, telephone and post office box	62,510	122,658
Maintenance and cleaning	714,890	303,458
GOSI	1,276,419	919,783
Other	627,683	489,315
	23,267,824	15,299,956

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	December 31, 2022	December 31, 2021
	SR	SR
Salaries, wages and equivalent	4,808,891	1,348,376
GOSI	143,890	97,812
Outside labour wages	347,685	322,385
Depreciation	8,241	6,116
Government fees and licenses	625,880	479,684
Entertainment, maintenance and cleaning	288,865	157,239
Gifts and graduation parties	1,301,206	284,116
Financial consultancies	803,684	832,750
Board of directors and committees	145,000	-
Other	935,549	734,924
	9,408,891	4,263,402

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23. SELLING AND MARKETING EXPENSES.

	For the year ended	
	December 31, 2022	December 31, 2021
	SR	SR
Salaries, wages and equivalent	1,771,758	997,266
Advertising	2,228,090	1,915,778
Marketing commission	1,004,750	472,750
Other	724,067	217,532
	5,728,665	3,603,326

24. OTHER INCOME

	For the year ended	
	December 31, 2022	December 31, 2021
	SR	SR
Deposits income	835,305	-
Other	725,082	-
	1,560,387	-

25. TRANSACTIONS OF RELATED PARTIES

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of shareholders, directors and businesses in which the shareholders and directors, individually or collectively, have significant influence.

The Group's transactions with related parties are conducted on an arm's length basis in the normal course of business and are approved by the management.

Remunerations of the board of directors and the key management employees:

	December 31, 2022		December 31, 2021	
	Board of directors	Key management personnel	Board of directors	Key management personnel
	SR	SR	SR	SR
Board of directors' remunerations	145,000	-	-	-
Salaries and wages	-	757,934	-	567,263
End of service benefits	-	52,500	-	27,500
	145,000	810,434	-	594,763

26. CONTINGENT LIABILITIES

As at December 31, 2022 the Group has no contingent liabilities (December 31, 2021: nil).

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27. DIVIDENDS

The Board of Directors of the Group, in its meeting held on December 26, 2022, recommended the distribution of cash dividends totalling amount of SR 12,000,000, at a value of SR 2 per share.

The Board of Directors of the company, in its meeting held on July 19, 2022, decided to distribute cash dividends with a total amount of SR 9,000,000 at a value of SR1.5 per share, provided that the eligibility is for shareholders who own shares at the end of trading on the day of the General Assembly meeting who are registered in the company's shareholder register kept with the Securities Depository Centre Company (SDC) at the end of the second trading day following the maturity date, and this was approved by the General Assembly at its meeting took place on August 23, 2022.

The Board of Directors of the company, in its meeting held on January 3, 2021, decided to distribute cash dividends with a total amount of SR 3,300,000, which were paid in three instalments on January 4, 2021, January 31, 2021, and February 2, 2021.

28. FINANCIAL INSTRUMENTS

(A) Financial assets

	December 31, 2022	December 31, 2021
	SR	SR
Other receivable balances	6,841,652	2,406,651
Students' receivables	17,597,103	12,818,562
Deposits	50,000,000	-
Cash and cash equivalent	26,959,987	76,138,547
	101,398,742	91,363,760

(B) Financial liabilities

	December 31, 2022	December 31, 2021
	SR	SR
Accounts payable and other payable balances	4,015,764	2,418,137
Lease liabilities	7,036,856	3,820,273
	11,052,620	6,238,410

(C) MEASUREMENT OF FAIR VALUE

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

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the consolidated financial statements are classified in accordance with the fair value hierarchy shown below:

- Level 1 — Quoted (unadjusted) prices in active markets for assets or liabilities that are identical to those being measured.
- Level 2 — The inputs that can be observed or monitored for the asset or liability, directly or indirectly, other than the quoted prices included within the first level.
- Level 3 — Inputs that cannot be observed for the asset or liability

The Group believes that the fair values of the financial assets and liabilities approximate their fair values.

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28. FINANCIAL INSTRUMENTS (CONTINUED)

(D) RISKS OF THE FINANCIAL INSTRUMENTS

The Group financial assets include cash and cash equivalent, students' receivables, due from related parties and some other receivables that come directly from its operations and the long-term deposits. As for the Group financial liabilities, it consists of amounts due to related parties, trade accounts payable, accrued expenses and other payables, in addition to the long- and short-term loans. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group senior management oversees the management of these risks. The Group financial risk activities are subject to appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite. Management reviews and agrees policies for managing each of these risks, which are summarized below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices have three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk.

Foreign exchange rate risk

Foreign exchange risk results from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The company believes that foreign exchange rate risks are immaterial, as the Group has not carried out any transactions of relative significance in currencies other than the Saudi riyal.

Commission rate risk

Commission risk arises from possible changes and fluctuations in commission rates that affect future profit or fair values of the financial instruments. The Group monitors fluctuations in commission rates and believes that the impact of commission rate risk is not significant.

Credit risk

Credit risk is the failure of one party to a financial instrument to fulfil its obligation and causing the company to incur a financial loss. The Group own financial instruments that may be exposed to credit risk mainly include cash at banks and accounts receivable. The Group deposits its funds in financial expenses with reliability and high credit capacity. The Group also has a policy regarding the amount of money deposited in each bank, and the management does not expect the existence of significant credit risks resulting from that. It also monitors the outstanding receivables periodically.

Liquidity risk

Liquidity risk is the inability of the Group to meet its obligations related to financial liabilities as they become due. The management ensures that sufficient funds are available to meet any obligations as they fall due. The Group financial liabilities consist of trade payables, accruals and other credit balances and due to a related party, in addition to short and long-term loans. The Group works to reduce liquidity risk by ensuring the availability of bank facilities, in addition to matching the periods for collecting customer balances and repayment period, suppliers' balances and other credit balances. All accounts payable and payable amounts do not bear any financing expenses and are expected to be paid within 12 months from the date of the financial statement.

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28. FINANCIAL INSTRUMENTS (CONTINUED)

(E) MANAGEMENT OF FINANCIAL INSTRUMENTS RISKS

The table below summarizes the maturity of the Group financial liabilities based on undiscounted contractual payments:

<u>As at December 31, 2022</u>	Less than one year	From one year to 5 years	More than 5 years	Total
	SR	SR	SR	SR
Accounts payables	-	-	-	-
Prepayments and other payable balances	4,015,764	-	-	4,015,764
Leases liabilities	2,724,550	5,240,550	-	7,965,100
	6,740,314	5,240,550	-	11,980,864

<u>As at December 31, 2021</u>	Less than one year	From one year to 5 years	More than 5 years	Total
	SR	SR	SR	SR
Accounts payables	111,097	-	-	111,097
Prepayments and other payable balances	2,307,040	-	-	2,307,040
Leases liabilities	1,254,450	3,073,100	250,000	4,577,550
	3,672,587	3,073,100	250,000	6,995,687

29. EARNINGS PER SHARE

Basic earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the financial year, and diluted earnings per share are calculated by adjusting basic earnings per share to the weighted average number of additional ordinary shares that were supposed to be accrued on the assumption that all diluted potential ordinary shares are converted into ordinary shares.

	For the year ended	
	December 31, 2022	December 31, 2021
	SR	SR
Net profit for the year	21,361,986	16,198,124
The weighted average number of ordinary shares used as a denominator when calculating basic and diluted earnings per share	6,000,000	5,265,205
Basic and diluted earnings per share relating to net profit for the year	3.56	3.08

- On May 30, 2021, the Group reduced the value of the share from SR 100 /share to SR 10 /share, and the Group increased the number of shares by adding 4,285 shares with a total amount of SR 42,850. This increase resulted in a premium of SR 59,857,150.
- Then the Group increased the number of shares to become 6,000,000 shares and increased the capital to become SR 60,000,000, through the premium.
- The Group calculated the weighted average number of ordinary shares, resulting from adjusting the capital structure, for the weighted average used in calculating the earnings per share for the financial year ending on December 31, 2021, to become 5,265,205 shares.

30. SEGMENTAL REPORTS

The company provides educational services and has one sector, which is the educational activity. The company operates only in the Kingdom of Saudi Arabia and has no geographical sector.

The subsidiary did not carry out any activity during the year 2022.

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on March 09, 2023.