National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 August 2022
together with the
Independent Auditor's Report

National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 August 2022

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of National Company for Learning and Education
(A Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of **National Company for Learning and Education**, a **Saudi Joint Stock Company** ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 August 2022, the consolidated statements of profit or loss, comprehensive income, changes in shareholders equity, and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountant (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 of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Independent auditor's report (continued)

To the Shareholders of National Company for Learning and Education

Key Audit Matters (continued)	
Key Audit Matter	How the matter was addressed in our audit
Recognition of educational services revenue With reference to the accounting policy relating to the revenue recognition, as well as note (22) relating to revenue disclosures, the Group's tuition fees revenues for the year ended 31 August 2022 amounted to SR 305 million. 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. Due to the inherent risks in the revenue recognition process and due to the significance of revenue from educational services, revenue was considered as a key audit matter.	We have performed the following procedures among other things: • Assessing the appropriateness of the revenue recognition policy under IFRS 15 "Revenue from Contracts with Customers". • Assessing the design and implementation of controls relating to processes over revenue recognition. • Performing a test of a sample of recorded revenue transactions and comparing them with supporting documents to verify the existence of recorded revenue. • Inquiring from the management regarding fraud awareness and the existence of any actual fraud cases. • Assessing the appropriateness of the disclosures in the consolidated financial statements.
Key Audit Matter	How the matter was addressed in our audit
Goodwill impairment With reference to the significant accounting estimates and judgments as well as note (7) relating to goodwill disclosures, the consolidated financial statements included goodwill of SR 72 million as at 31 August 2022, which represents the excess of the consideration paid over the fair value of net assets held by the Group .The Group conducts an annual test of its related assets "cash-generating unit" to assess the impairment in accordance with the requirements of IAS 36 "Impairment of Assets". Determination of the recoverable amount of an asset or cash-generating unit requires the management to make significant assumptions. 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.	We have performed the following procedures among other things: • Obtaining 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. • Assessing the design and implementation and testing the operating effectiveness of controls relating to processes over impairment of goodwill. • Assessing the key assumptions used by management related to revenue growth rate, gross profit margin, and long-term growth rate, taking into account current and future economic conditions of the cash-generating units. We also compared the key assumptions to the previous factual results. • Assessing the reliability of management's forecast through a review of actual performance against forecasts used by management. • Reviewing the key assumptions used by management to calculate the value in use by our specialists. We also conducted the sensitivity analysis related to these key assumptions. • Assessing the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

Independent auditor's report (continued)

To the Shareholders of National Company for Learning and Education

Key Audit Matters (continued)	
Key Audit Matter	How the matter was addressed in our audit
IFRS (9) including measurement of expected credit losses. As at 31 August 2022, total accounts receivable amounted to SR 37 million and impairment losses of SR 14 million has been recognized against these account receivables. In accordance with the requirements of IFRS 9, the Company has applied expected credit losses model in calculating the impairment of accounts receivable. Due to the determination of impairment of accounts receivable using expected credit loss models involves significant judgments and estimates that could have a material impact on the consolidated financial statements of the Group, including the use of the expected credit loss model, was considered as a key audit matter.	We have performed the following procedures among other things: • Obtaining an understanding of the methodology adopted by management in assessing the impairment of accounts receivable values and applying the expected loss model and the related assumptions. • Examining a sample of accounts receivable balances to which impairment has been calculated during the year to assess the reasonableness of estimates used by the Group's management. • Engaging our specialists to test the assumptions used in calculating the effect of future economic conditions on impairment of accounts receivable. • Evaluating the adequacy of disclosures made by the management 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 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.

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 when it becomes available 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, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, 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 Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance, Audit Committee, are responsible for overseeing the Group's 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:

- 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.

Independent auditor's report (continued)

To the Shareholders of National Company for Learning and Education

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal controls 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's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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, then 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 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 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 of **National Company for Learning and Education ("the Company") and its subsidiaries ("the Group").**

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

KPMG Professional Services

Fahad Mubark Al Dossari
License No. 469

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ترخيص رقم ٤٦
س.ت ١٠١٠٤٢٥٤٩٤
Lic No. 46
C.R. 1010425494
R : 1.
KPMG Professional Services

Date: 27 Rabi' II 1444H
Corresponding to: 21 November 2022

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 August 2022
(Amounts in Saudi Riyals)

	Notes	31 August 2022	31 August 2021
Assets			
Non-current assets			
Property and equipment	6	**561,406,913**	518,770,289
Intangible assets and goodwill	7	**80,067,438**	81,237,086
Right-of-use assets	8	**126,073,110**	66,034,708
Total non-current assets		**767,547,461**	666,042,083
Current assets			
Inventory	9	**4,157,429**	3,618,733
Accounts receivable	10	**22,705,762**	19,373,208
Prepayments and other receivables	11	**39,586,754**	34,087,022
Cash and cash equivalents	12	**169,685,730**	137,499,269
Total current assets		**236,135,675**	194,578,232
Total assets		**1,003,683,136**	860,620,315
Shareholders equity and liabilities			
Shareholders equity			
Share capital	19	**430,000,000**	430,000,000
Share premium	20	**100,985,697**	100,985,697
Statutory reserve	21	**38,598,251**	31,493,599
Retained earnings		**80,963,888**	52,519,345
Total Shareholders equity		**650,547,836**	614,998,641
Liabilities			
Non-current liabilities			
Non-current portion of Islamic Murabaha and Ministry of Finance loans	13	**10,623,548**	16,032,162
Employees' benefits	18	**49,414,000**	53,774,000
Non-current portion of lease liability on right-of-use assets	8	**120,434,226**	62,605,356
Total non-current liabilities		**180,471,774**	132,411,518
Current liabilities			
Current portion of Islamic Murabaha and Ministry of Finance loans	13	**11,626,526**	18,917,801
Advances from customers	15	**131,134,235**	76,524,261
Accounts payable		**2,194,153**	164,990
Deferred revenue of government grants	14	**--**	208,725
Current portion of lease liability on right-of-use assets	8	**11,020,341**	5,697,592
Accrued expenses and other payables	16	**13,148,549**	7,677,104
Zakat Provision	17	**3,539,722**	4,019,683
Total current liabilities		**172,663,526**	113,210,156
Total liabilities		**353,135,300**	245,621,674
Total Shareholders equity and liabilities		**1,003,683,136**	860,620,315

The accompanying notes from (1) through (36) form an integral part of these consolidated financial statements

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 August 2022
(Amounts in Saudi Riyals)

	Notes	31 August 2022	31 August 2021
Revenue	22	**308,530,994**	176,087,841
Government grants and subsidies	23	**7,154,069**	11,104,425
Cost of revenue	24	**(189,179,192)**	(116,782,429)
Gross profit		**126,505,871**	70,409,837
Marketing and advertising expenses		**(4,551,078)**	(4,519,910)
General and administrative expenses	25	**(43,789,284)**	(34,349,112)
Reversal of account receivables impairment	10	**825,909**	1,500,000
Other income	26	**1,179,838**	1,123,750
Operating profit		**80,171,256**	34,164,565
Finance costs, net	27	**(6,224,547)**	(5,683,559)
Income for the year before Zakat		**73,946,709**	28,481,006
Zakat expense	17	**(2,900,187)**	(4,023,498)
Net profit for the year		**71,046,522**	24,457,508
Earnings per share:			
Basic and diluted earnings per share	28	**1.65**	0.57

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 August 2022
(Amounts in Saudi Riyals)

	Notes	31 August 2022	31 August 2021
Net profit for the year		**71,046,522**	24,457,508
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains from re-measurement of employees' benefits	18	**(1,097,327)**	87,402
Total items that will not be reclassified subsequently to profit or loss		**(1,097,327)**	87,402
Total other comprehensive (loss) / income for the year		**(1,097,327)**	87,402
Total comprehensive income for the year		**69,949,195**	24,544,910

The accompanying notes from (1) through (36) form an integral part of these consolidated financial statements

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the year ended 31 August 2022
(Amounts in Saudi Riyals)

	Share capital	Share premium	Statutory reserve	Retained earnings	Total shareholders equity
Balance as at 1 September 2020	430,000,000	100,985,697	29,047,848	64,820,186	624,853,731
Net profit for the year	--	--	--	24,457,508	24,457,508
Other comprehensive income	--	--	--	87,402	87,402
Total comprehensive income for the year	--	--	--	24,544,910	24,544,910
Transferred to statutory reserve	--	--	2,445,751	(2,445,751)	--
Dividends - (Note 34)	--	--	--	(34,400,000)	(34,400,000)
Balance as at 31 August 2021	430,000,000	100,985,697	31,493,599	52,519,345	614,998,641
Balance as at 1 September 2021	**430,000,000**	**100,985,697**	**31,493,599**	**52,519,345**	**614,998,641**
Net profit for the year	--	--	--	**71,046,522**	**71,046,522**
Other comprehensive loss	--	--	--	**(1,097,327)**	**(1,097,327)**
Total comprehensive income for the year	--	--	--	**69,949,195**	**69,949,195**
Transferred to statutory reserve	--	--	**7,104,652**	**(7,104,652)**	--
Dividends - (Note 34)	--	--	--	**(34,400,000)**	**(34,400,000)**
Balance as at 31 August 2022	**430,000,000**	**100,985,697**	**38,598,251**	**80,963,888**	**650,547,836**

The accompanying notes from (1) through (36) form an integral part of these consolidated financial statements

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 August 2022
(Amounts in Saudi Arabian Riyals)

	31 August 2022	31 August 2021
Cash flows from operating activities		
Profit for the year before Zakat	**73,946,709**	28,481,006
Adjustments for:		
Reversal of account receivables impairment	**(825,909)**	(1,500,000)
(Reversal)/Impairment expense for other receivable balances	**(578,731)**	700,000
Depreciation and amortization	**26,666,749**	15,870,530
Rent discount	**--**	(943,889)
Employees' benefits	**4,843,000**	4,920,500
Finance costs	**6,793,862**	6,105,134
Return on short-term Islamic Murabaha	**(569,315)**	(421,575)
Realized revenue from government grants	**(208,725)**	(589,796)
	110,067,640	52,621,910
Changes in operating assets and liabilities		
Accounts receivable	**(2,506,645)**	18,432,286
Inventory	**(538,696)**	(723,866)
Prepayments and other receivables	**(4,921,001)**	(14,575,320)
Accounts payable	**2,029,163**	(1,369,535)
Accrued expenses and other payables	**2,143,445**	(5,515,557)
Advances from customers	**54,609,974**	47,961,164
cash flows generated from operating activities	**160,883,880**	96,831,082
Zakat paid	**(3,380,148)**	(4,879,506)
Employees' benefits paid	**(8,689,327)**	(6,947,098)
Net cash flows generated from operating activities	**148,814,405**	85,004,478
Cash flows from investing activities		
Purchase of property and equipment and projects in progress	**(53,620,437)**	(9,066,283)
Purchase of Intangible assets	**(646,900)**	--
Acquisition of subsidiary	**--**	(857,027)
Proceeds from return on short-term Islamic Murabaha	**569,315**	421,575
Net cash flows used in investing activities	**(53,698,022)**	(9,501,735)
Cash flow from financing activities		
Repayment of Islamic Murabaha and Ministry of Finance loans	**(13,429,922)**	(5,116,659)
Dividends paid	**(34,400,000)**	(34,400,000)
Repayment of lease liabilities	**(15,100,000)**	(6,006,111)
Net cash flows used in financing activities	**(62,929,922)**	(45,522,770)
Net change in cash and cash equivalents	**32,186,461**	29,979,973
Cash and cash equivalents at beginning of the year	**137,499,269**	107,519,296
Cash and cash equivalents at end of the year	**169,685,730**	137,499,269

Non-cash transactions

Capitalized returns on projects in progress	**57,854**	50,692
Actuarial (losses)/ gains on re-measurement of employees' benefits	**(1,097,327)**	87,402
Transferred from project in progress to property and equipment	**104,302,640**	43,023,448
Right-of-use assets	**73,846,936**	--
Lease liability on right-of-use assets	**73,846,936**	--
Transferred to Accrued expenses and other payables	**(3,328,000)**	--

The accompanying notes from (1) through (36) form an integral part of these consolidated financial statements

1. COMPANY INFORMATION

National Company for Learning and Education ("the Company"), a saudi joint stock company registered under Commercial Registration ("CR") Number 1010178851 issued in Riyadh dated 4 Jumada I 1423H corresponding to 14 July 2002.

The Company is engaged in ownership, establishment and management of private schools for general education (pre-university) in addition to investment in sport and entertainment along with sport clubs for school students.

The Company carries out its business through its branches and it's subsidiaries mentioned below:

Branch of Tarbyah Namouthajiyah Schools/Al-Rayan district registered under CR no. 1010205885 dated 12 Muharram 1426H corresponding to 21 February 2005.
Branch of Tarbyah Namouthajiyah Schools/Al-Rawabi district registered under CR no. 1010226993 dated 24 Dhul-Hijjah 1427H corresponding to 14 January 2007.
Branch of Tarbyah Namouthajiyah Schools/Al-Nuzha district registered under CR no. 1010284328 dated 4 Rabi II 1431H corresponding to 20 March 2010.
Branch of Tarbyah Namouthajiyah Schools/Qurtubah district registered under CR no. 1010466961 dated 5 Rabi II 1438H corresponding to 3 January 2017.
Branch of Tarbyah Namouthajiyah Schools/Al Rehab-Buraydah district registered under CR no. 1131300125 dated 16 Ramadan 1440H corresponding to 21 May 2019.
Branch of Tarbyah Namouthajiyah Schools/Qairwan district registered under CR no. 1010644469 dated 1 Dhul Hijah 1441H corresponding to 22 July 2020.
Branch of Tarbyah Namouthajiyah Schools/Telal Al Doha- Dhahran district registered under CR no. 2050138947 dated 9 Rabi I 1442H corresponding to 26 October 2020.
Branch of Tarbyah International Schools/Rayan district registered under CR no. 1010644470 dated 1 Dhul Hijah 1441H corresponding to 22 July 2020.
Branch of Tarbyah International Schools/Al-Nuzha district registered under CR no. 1010727959 dated 28 Dhul Qaida 1442H corresponding to 8 July 2021.
Branch of Tarbyah Sports/ Rayan district registered under CR no. 1010664733 dated 10 Rabi I 1442H corresponding to 27 October 2020.
Branch of Tarbyah Sports /Rawabi district registered under CR no. 1010664732 dated 10 Rabi I 1442H corresponding to 27 October 2020.
Branch of Tarbyah Sports /Al-Nuzha district registered under CR no. 1010665999 dated 12 Rabi I 1442H corresponding to 29 October 2020.
Branch of Tarbyah International Schools/ Alaridh district registered under CR no. 1010741207 Safar 1443 H corresponding to 12 September 2021.
Branch of Tarbyah International Schools/ Alaridh district registered under CR no. 1010738751 dated 24 Muharram1443 H corresponding to 1 September 2021.
Al Khwarizmi Educational Company registered under CR no. 1010290982 dated 18 Rajab 1431H corresponding to 30 June 2010.
Branch of Al Khwarizmi Educational Company/ Riyadh registered under CR no. 1010326698 dated 5 Rabi I 1433 H corresponding to 28 January 2012.
Branch of Al Ghad National Schools Company/ Riyadh registered under CR no. 1010787113 dated 6 Shaban 1443 H corresponding to 9 Mach 2012.
Branch of Al Ghad National Schools Company/ Riyadh registered under CR no. 1010787114 dated 6 Shaban 1443 H corresponding to 9 Mach 2012.

1. CORPORATE INFORMATION (CONTINUED)

Al Ghad National Schools Company registered under CR no. 1010168956 dated 20 Jumada II 1422H corresponding to 9 September 2001.

Refan Operation and Maintenance Company registered under CR no. 1010405386 dated 20 Rabi II 1435H corresponding to 20 February 2014.

These consolidated financial statements include the accounts of the Company and the following subsidiaries in which the Group directly owns 100% of share capital (collectively referred to as the "Group"):

		Shareholding (%)	
Subsidiaries	**Country of incorporation**	**31 August 2022**	31 August 2021
Al Khwarizmi Educational Company	Kingdom of Saudi Arabia	100	100
Al Ghad National Schools Company	Kingdom of Saudi Arabia	100	100
Refan Operation and Maintenance Company	Kingdom of Saudi Arabia	100	100

Al-Khwarizmi Educational Company is engaged in the field of education with national curriculum.

Al Ghad National Schools Company is engaged in the field of education with national curriculum.

Refan Operation and Maintenance Company s' activities are operation and maintenance.

The Group's head office is located in Riyadh,
P.O .Box. 41980 Riyadh 11531
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as 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 accounting policies have been consistently applied to all periods presented in these consolidated financial statements.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for employees' benefits obligations which are measured using the projected credit unit method, the accrual basis of accounting and the going concern concept.

Functional and presentation currency

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

3. NEW STANDARDS AND AMMENDMENT ISSUED

The new amendments to use standards issued up to the date of issuance of the Group's consolidated financial statements are listed below:

Standards / interpretations	Description	Effective from the periods beginning on or after
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 16	Covid 19 Related Rent Concession	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reforms	1 January 2021
Amendments to IAS 37	Onerous Contract	1 January 2021
Amendments to IAS 16	PPE: Proceeds before intended use	1 January 2021
Amendments to IFRS 3	References to conceptual framework	1 January 2021
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2021
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policy	1 January 2021
Amendments to IAS 8	Definition of Accounting estimates	1 January 2021
1Amendments to IAS 12	Deferred Tax related to Asset and Liabilities arising from a single Transactions	1 January 2021

These amendments have no impact on the consolidated financial statements of the Group.

The Group has no applied the following new and revised IFRSs that are not yet effective.

Standards / interpretations	Description	Effective from the periods beginning on or after
Amendments to IFRS 16	Lease contracts, lease concessions related to COVID-19	1 January 2022
Amendments to IAS 1	Presentation of financial statements about the classification of liabilities	1 January 2023
IFRS 17	Insurance contracts amended in June 2020	1 January 2023
Amendment to Transformation Requirements in IFRS 17	Insurance Contracts	1 January 2023
Amendment to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

1- Business combination
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred at the acquisition is generally measured at fair value of the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

2- Subsidiaries
Subsidiaries are entities which are controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3- Non-controlling interest ("NCI")
NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions.

4- Loss of control
When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of Shareholders equity and any gain or loss is recognized in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

b) 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

- 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Fair value measurement (CONTINUED)

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).

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.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and Murabaha facilities with original maturity of less than three months from the date of acquisition. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

d) Inventory

Inventory comprise of books, office tools and school uniform, and are recorded at the lower of cost or 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 inventory with the cost of revenues in the consolidated statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Government grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all related 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.

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 loans or similar assistances are granted by governments or related institutions with a return rate below the prevailing return rate, the effect of this favorable return is considered as a government grant.

f) Financial instruments

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investments; FVOCI – equity investments; or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not classified at fair value through profit or loss.

- 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 FVOCI only 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 OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI 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 at FVOCI as 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 .

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments

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 OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	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 net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Group has no debt investments at FVOCI or equity investments at FVOCI.

Disposal

Financial assets
A financial asset (or part of a group of similar financial assets) is mainly derecognized (i.e. excluded from the Group's consolidated 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 derecognizes financial liabilities when its contractual obligations are discharged, 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 amortized carrying amount and the amount paid (including any non-cash assets transferred or charged liabilities) is recognized in the consolidated statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (CONTINUED)

Impairment of financial asset

The financial assets at amortized cost consist of accounts receivables, cash and cash equivalents and other receivables.

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.

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 impairments (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For accounts receivables, the Group applies the simplified approach to estimate ECLs.

Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are impaired. A financial asset is 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 provisions for financial assets are deducted from the gross carrying amount of the assets.

Impairment losses related to accounts receivables, if any, are presented in the consolidated statement of profit or loss under a separate item.

g) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and any impairment. Cost comprises cost of equipment and materials including freight, insurance, and expenditures from contractors for installment and construction works in addition to capitalized finance costs.

When significant parts of property and equipment items have different useful lives, they are accounted for as separate items of property equipment.

Depreciation of property and equipment is charged to the consolidated statement of profit or loss using straight-line method over the estimated useful life for each item in accordance with the annual estimated useful lives as follows:

Category of assets	Useful lives
Buildings and improvements on buildings	10-66 or until end of lease term
Furniture & fixture	10
Computers and equipment	4-25
Motor vehicles	10

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property and equipment (CONTINUED)

Depreciation methods, rates and residual values are reviewed annually and are adjusted if the current method and the estimated useful life or the residual value are different than those estimated previously. The effect of such changes is recognized in the consolidated statement of profit or loss prospectively.

Major renovations and improvements are capitalized if they increase the productivity or the operating useful life of the assets. Minor repairs and improvements are charged as expenses when incurred. Gains or losses resulting from disposal of assets (represent the difference between sale proceeds and the carrying amount of assets) are recognized in the consolidated statement of profit or loss.

Capital work in progress is stated at cost until the completion of construction or installation, thereupon the cost of these assets and the costs directly attributable to construction or installation, including capitalized borrowing costs, are transferred to the respective class of assets. Capital work in progress is not depreciated.

h) Intangible assets and goodwill

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 expenditure is incurred.

1) **Computer Software**
Software licenses purchased from other parties are initially recorded at cost. These are amortized using the straight-line method over their estimated useful life of five years.

2) **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. Upon business combination for the Group, acquisition method 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) **Students list**
Students list that the Group obtains from the acquisition of subsidiaries and has a finite useful life is measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives of 6-7 years and is recognized in profit or loses.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Leases

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 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 of right-of-use asset is 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 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 uses the incremental borrowing rate.

After the commencement date, the Group measures 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 amount expected to be payable by the lessee under residual value guarantees, or if the Group changed its assessment whether if 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 profit or loss 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 if 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Leases (continued)

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 performs overall assessment whether lease transfers 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 Group uses 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
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Upon subsequent measurement, the Group recognizes 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: The Group recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies 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, The Group applies IAS 36 to determine whether an underlying asset subject to an operating 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.

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

j) Borrowing costs

Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Impairment of financial assets

At each reporting date, the Group assesses whether there is an indication that an 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 value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or (CGUs) exceeds its recoverable amount, the asset is considered impaired and is 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 specified to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Goodwill is tested annually for impairment and any impairment losses in respect of goodwill are not reversed.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's (CGUs) to which the individual assets are allocated.
These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories 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 an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or (CGU's) recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

l) Zakat

Provision for zakat is calculated at the date of the consolidated statement of financial position in accordance with regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia ("ZATCA"). The resulting provision is recorded within the consolidated statement of profit or loss. Additional Zakat liability, if any, relating to prior years' assessments arising from ZATCA are recognized in the period in which the final assessments are finalized.

m) Employees' benefits

The Group operates a defined benefit plan for its employees in accordance with Saudi Labor and Workman Law as defined by the conditions set out in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected credit unit method.

Re-measurements for actuarial gains and losses are recognized in the consolidated statement of financial position and the corresponding balance is added to the retained earnings through other comprehensive income in the period in which they occur.

Re-measurements are not reclassified to the consolidated statement of profit or loss in subsequent periods. Costs and expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Revenue recognition

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 render a service to the customer.
Step 3: Determine the transaction price.	The transaction price is the amount of consideration the Group expects to be entitled to in exchange for transferring the 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 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 when (or as) it satisfies a performance obligation by transferring promised goods or performing services to the customer under the contract.

Identify the contracts with customers
The Group carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognized only when performance obligations in contracts with customers are satisfied. A change in the scope or price (or both) of a contract is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

Identify the performance obligations
Once the Group has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

Determine the transaction price
The Group determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any).

Allocation of transaction price
Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Group is required to use observable information, if available. If stand-alone selling prices are not directly observable, the Group makes estimates based on information that is reasonably available.

Revenue recognition
Revenue is recognized only when the Group satisfies a performance obligation by transferring control of a promised service to the customer.Control maybe transferred over time or at a point in time. Where a performance obligation is satisfied overtime, the Group identifies the progress under the contract based on either of an input or output method which best measures the performance completed to date. The method selected is applied consistently to similar performance obligations and in similar circumstances.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Revenue recognition (Continued)

The Group believes that it fulfills its performance obligations in its contracts with customers over time, and hence it recognizes revenue as and when it fulfills its obligations under contracts with customers.

The Group generates following revenue stream that are covered under IFRS 15 'Revenue from Contracts with Customers'.

Education services
Revenue is recognized when education services to registered students at schools are rendered each year and recognised net of discounts and exemptions.

Other operating income
Is recognized once performance obligation is satisfied based on the agreement between the Group and the counterparty.

o) Dividends

Dividends are recognized in the consolidated financial statements in the period in which they are approved by the shareholders of the Group.

p) Earnings per share

The Group presents information on basic and diluted earnings per share for its ordinary shares. Earnings per share from net profit is calculated by dividing the profit or loss attributable to the Group's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

q) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated to Saudi Riyals at the foreign exchange rate prevailing at that date. Gains or losses arising on exchanges are recognized in the consolidated statement of profit or loss.

r) Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of 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.

s) Contingent liabilities

These are obligations that may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or present obligation not recorded because it is not probable that an outflow of resources will be required to settle the obligation. If the amount of obligation cannot be measured with sufficient reliability, then it is not recorded in contingent liabilities but is disclosed in the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operational results of the operating segments are reviewed by the Group's operating decision makers to make decisions about the resources to be allocated to the segment and to assess its performance, which have separate financial information.

u) Loans

Long-term borrowings are initially recognized at their fair value (being proceeds received, net of eligible transaction costs incurred, 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 period of the long-term borrowings using the effective interest rate method.

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 period.

v) 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 and cash equivalents 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates of the Group are based on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. These changes are reflected in the assumptions when they occur.

a) Defined benefit plans

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

b) 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 CGU is based on the value in use ("VIU"). This valuation process used to determine the VIU includes the use of methods such as the discounted cash flows method which uses assumptions to estimate cash flows. The VIU depends significantly on the discount rate used in the discounted cash flows model as well as the expected future cash flows.

c) Provision for expected credit loss on accounts receivable

The Group uses a model in estimating lifetime expected credit losses ("ECLs") that have not been credit-impaired or credit-impaired based on a change in the credit risk associated with the financial instrument.

The Group uses the simplified approach using an allowance matrix to measure ECLs of account receivables from individual customers, which comprise a very large number of small balances.

Account receivables are combined based on the common credit risk characteristics and the days in which they are due to measure the ECLs. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic activity indicators affecting the ability of the customers to settle the receivables.

d) Lease's discount rate

The management of the Group uses estimates in determining the incremental borrowing rate in computing the present value of minimum lease payments, as well as the expected lease term in the event of extension options.

(Amounts in Saudi Riyals)

6. PROPERTY AND EQUIPMENT

	Land *	Buildings and improvements on buildings	Furniture and fixture	Computers and equipment	Motor vehicles	Projects in progress (**)	Total
Cost							
As at 1 September 2020	101,308,775	241,940,766	34,371,947	56,234,872	8,014,886	231,150,555	673,021,801
Additions as a result of acquisition	--	--	12,926	11,325	--	--	24,251
Additions during the year	--	193,165	2,946,065	1,413,976	--	4,563,769	9,116,975
Transfers	11,394,900	25,473,315	1,361,954	4,793,279	--	(43,023,448)	--
As at 31 August 2021	112,703,675	267,607,246	38,692,892	62,453,452	8,014,886	192,690,876	682,163,027
Additions during the year	--	1,460,088	10,979,569	8,392,029	1,847,222	30,999,383	53,678,291
Transfers	44,587,500	48,345,277	2,890,486	8,479,377	--	(104,302,640)	--
As at 31 August 2022	**157,291,175**	**317,412,611**	**52,562,947**	**79,324,858**	**9,862,108**	**119,387,619**	**735,841,318**
Accumulated depreciation							
As at 1 September 2020	--	72,306,986	28,965,429	46,640,291	7,977,921	--	155,890,627
Adjustment	--	99,989	--	40,012	(140,001)	--	--
Adjustment as a result of acquisition	--	--	2,168	9,383	--	--	11,551
Charge for the year	--	4,011,813	1,358,230	2,096,976	23,541	--	7,490,560
As at 31 August 2021	--	**76,418,788**	**30,325,827**	**48,786,662**	**7,861,461**	--	**163,392,738**
Charge for the year	--	4,829,979	2,475,155	3,532,477	204,056	--	11,041,667
As at 31 August 2022	--	**81,248,767**	**32,800,982**	**52,319,139**	**8,065,517**	--	**174,434,405**
Net book value							
As at 31 August 2022	**157,291,175**	**236,163,844**	**19,761,965**	**27,005,719**	**1,796,591**	**119,387,619**	**561,406,913**
As at 31 August 2021	112,703,675	191,188,458	8,367,065	13,666,790	153,425	192,690,876	518,770,289

(*) Lands:

- Includes mortgaged land to the Ministry of Finance represented in the land of Tarbyah Namouthajiyah Schools/ Al-Nuzha District amounted to SR 16,658,500 as at 31 August 2022 (note 13-2). The last installment has been paid during the year ended 31 August 2022. This loan is secured by mortgage title deed and ownership of real estate including mortgage of the project land and any constructions thereon. The Company is still in the process of finalizing the mortgage release procedures.
- Includes the land of Tarbyah Namouthajiyah Schools at Al-Qairawan district amounting to SR 44,587,500 mortgaged to a local bank and will be released upon the settlement of the last installment on 8 September 2023 (note 13-3).

(**) The projects in progress includes Al Qasr project in Khobar, which comprises of two lands with a total value of SR 18,185,377 mortgaged to a local bank and will be release upon settlement of the last installment on 18 May 2025 (note 13-4).

(Amounts in Saudi Riyals)

6. PROPERTY AND EQUIPMENT (CONTINUED)

Projects in progress represent the following:

	31 August 2022	31 August 2021
Al-Rayan schools project (6-1)	--	9,323,781
Al-Qairawan schools project (6-2)	**37,280,730**	116,076,467
Telal Al-Doha schools project in Dhahran (6-3)	**63,562,718**	34,793,177
Al-Ryihab schools project in Buraydah (6-4)	--	13,961,280
Al-Qasr scheme project in Khobar (6-5)	**18,544,171**	18,536,171
	119,387,619	192,690,876

6-1 This project represents construction works to establish new classroom in Al-Rayan district,which have been assigned to Aja Trading and Contracting Company (a related party - Note 32), all works on the project have been completed and fully capitalized at the beginning of the year ended August 31, 2022.

6-2 The project represents construction works to establish schools in Al-Qairawan district, murabaha returns were capitalized during the year ended 31 August 2022 for the project amounting of SR 57,854

6-3 The project represents mainly the value of land to establish schools in Telal Al Doha district,amounting of SR 19,750,000. The value of buildings construction works was SR 43,812,718 as at 31 August 2022.

6-4 The project represents mainly the value of construction works to complete Tarbyah Namouthajiyah schools in Al-Ryihab district in Buraydah city. All works on the project have been completed and fully capitalized at the beginning of the year ended 31 August, 2022.

6-5 The project represents mainly the purchase value of two plots of lands in Al Qasr scheme in Khobar amounting to SR 18,185,377 to establish schools. These lands mortgaged to a local bank and will be release upon settlement of the last installment on 18 May 2025 (note 13-4).

(Amounts in Saudi Riyals)

7. INTANGIBLE ASSETS AND GOODWILL

	Goodwill (*)	Students list	Software computer	Total
Cost				
As at 1 September 2020	71,040,834	11,443,682	1,435,825	83,920,341
Additions during the year as a result of acquisition of subsidiary	1,251,753	--	14,133	1,265,886
As at 31 August 2021	72,292,587	11,443,682	1,449,958	85,186,227
Addition during the year	-	-	646,900	646,900
As at 31 August 2022	**72,292,587**	**11,443,682**	**2,096,858**	**85,833,127**
Accumulated Amortization				
As at 1 September 2020	--	816,639	1,174,440	1,991,079
Additions during the year as a result of acquisition of subsidiaries	--	--	5,977	5,977
Amortization during the year	--	1,717,970	234,115	1,952,085
As at 31 August 2021	--	**2,534,609**	**1,414,532**	**3,949,141**
Amortization during the year	--	1,717,970	98,578	1,816,548
As at 31 August 2022	--	**4,252,579**	**1,513,110**	**5,765,689**
Net book value				
As at 31 August 2022	**72,292,587**	**7,191,103**	**583,748**	**80,067,438**
As at 31 August 2021	72,292,587	8,909,073	35,426	81,237,086

(*) The Goodwill has been allocated to the following Cash-generating units of the Group:

	Al-Rawabi	Al-Khwarizmi	Al Ghad	Refan	Total
Cost					
As at 1 September 2020	11,357,834	22,208,000	37,475,000	--	71,040,834
Additions during the year as a result of acquisition of subsidiaries	--	--	--	1,251,753	1,251,753
As at 31 August 2021	11,357,834	22,208,000	37,475,000	1,251,753	72,292,587
As at 31 August 2022	**11,357,834**	**22,208,000**	**37,475,000**	**1,251,753**	**72,292,587**

Goodwill impairment test

Management performs goodwill test to ensure that there is no impairment at the end of each financial year. The management found, through the goodwill test, that the book value of goodwill was less than its recoverable value as at 31 August 2022.

The recoverable amount was determined on the basis of the information used to calculate the present value of the five-year expected cash flows, based on the financial budget approved by the Board of Directors. The growth rate used does not exceed the Group's long-term average growth rate, the growth rate used is 2%.

Management believes that the estimated growth rates do not exceed the long-term average growth rates related to the activities carried out by the group companies.

Sensitivity to changes in assumptions

In relation to the recoverable amount review, any adverse change in underlying assumptions will result in an impairment loss. The terminal growth rates and discount rates used are the key assumptions in cases where potential changes could lead to impairment. a change of+/-1% of the discount rate and /or terminal growth rate does not result in an impairment loss.

(Amounts in Saudi Riyals)

7. INTANGIBLE ASSETS AND GOODWILL (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.

	Al-Rawabi	**Al-Khwarizmi**	**Al Ghad**	**Refan**
Discount rate	12.1%	14.1%	12.1%	17%
Terminal value growth rate	2%	2%	2%	2%

Discount rate represents the current market assessment of the risks specified to each cash generating unit. The calculation of the discount rate is based on the specific circumstances of the Group and its operating segments and derived from its (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on return-bearing Murabaha and loans that are binding on the Group. Risk relating to sectors are incorporated.

The terminal value growth rate was determined based on management's estimate which in line with the assumptions that a market participant would make.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITY ON RIGHT-OF-USE ASSETS

Right-of-use assets

	31 August 2022	31 August 2021
Balance at the beginning of the year	**66,034,708**	72,462,593
Additions during the year	**73,846,936**	--
Depreciation for the year	**(13,808,534)**	(6,427,885)
Balance at end of the year	**126,073,110**	66,034,708

Leases liabilities on the right-of-use assets

	31 August 2022	31 August 2021
Balance at the beginning of the year	**68,302,948**	72,692,223
Additions during the year	**73,846,936**	--
Interest expense for the year	**4,404,683**	2,560,725
Rent discount during the year	--	(943,889)
Lease payments during the year	**(15,100,000)**	(6,006,111)
Balance at end of the year	**131,454,567**	68,302,948
Current portion of lease liability on right-of-use assets	**11,020,341**	5,697,592
Non-current portion of lease liability on right-of-use assets	**120,434,226**	62,605,356
Lease liability on right-of-use assets	**131,454,567**	68,302,948

(Amounts in Saudi Riyals)

9. INVENTORY

	31 August 2022	31 August 2021
Inventory	**4,157,429**	3,866,166
Less: impairment of inventory balances	**--**	(247,433)
	4,157,429	3,618,733

Movement in impairment of inventory balances during the year is as follows:

	31 August 2022	31 August 2021
Balance at the beginning of the year	**247,433**	247,433
Used during the year	**(247,433)**	--
Balance at the end of the year	**--**	247,433

10. ACCOUNTS RECEIVABLE

	31 August 2022	31 August 2021
Accounts receivable	**36,662,687**	34,714,198
Less: impairment of accounts receivable balances	**(13,956,925)**	(15,340,990)
	22,705,762	19,373,208

Movement in impairment of accounts receivable balances during the year is as follows:

	31 August 2022	31 August 2021
Balance at the beginning of the year	**15,340,990**	19,994,401
Write-off during the year	**(558,156)**	(3,153,411)
Reversal during the year	**(825,909)**	(1,500,000)
Balance at the end of the year	**13,956,925**	15,340,990

The Group provides for receivables by applying the simplified approach to assess the expected credit losses.

11. PREPAYMENTS AND OTHER RECEIVABLES

	31 August 2022	31 August 2021
Advances to suppliers	**20,276,664**	17,718,313
Prepaid expenses	**7,645,368**	9,731,705
Value-added tax	**7,989,913**	3,968,008
Employees' advances and custodies	**3,003,906**	2,816,769
Others	**1,120,901**	1,085,281
	40,036,752	35,320,076
Less: impairment of prepayment and other receivables	**(449,998)**	(1,233,054)
	39,586,754	34,087,022

Movement in impairment of prepayment and other receivables during the year is as follows:

	31 August 2022	31 August 2021
Balance at beginning of the year	**1,233,054**	777,818
Write-off during this year	**(204,325)**	(244,764)
(Reversal)/ charged for the year	**(578,731)**	700,000
Balance at the end of the year	**449,998**	1,233,054

(Amounts in Saudi Riyals)

12. CASH AND CASH EQUIVALENTS

	31 August 2022	31 August 2021
Current accounts with banks	64,685,730	52,499,269
Short-term Islamic Murabaha	105,000,000	85,000,000
	169,685,730	137,499,269

Short-term Islamic Murabaha carry a fixed rate of return of 2.25% and a maturity date of less than three months.

13. ISLAMIC MURABAHA AND MINISTRY OF FINANCE

The Islamic Murabaha and Ministry of Finance loans are as follows:

Interests free Loans from the Ministry Finance

13-1 Loan from the Ministry of Finance under loan contract no. 42 to finance the establishment of an educational compound at 1 March 2009 corresponding to 4 Rabi I 1430H. There is an agreement with the Ministry of Finance to obtain an amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah – Al Rawabi district (Previously Al Hadara School in Riyadh). The payments will be on ten annually equal installments. The first installment started after four years from the date of contract. This loan does not carry any finance charges (note14). The last installment has been paid during the year ended 31 August 2022. This loan is secured by mortgage title deed and ownership of real estate including mortgage of the project land and any constructions thereon. The mortgage was released as a result for full repayment of the loan.

13-2 Loan from the Ministry of Finance under loan contract no. 49 to finance the establishment of an educational compound on 5 January 2010 corresponding to 19 Muharram 1431H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Nuzha District. The amount has been received in installments amounting to SR 25,000,000 provided that the payment must be in ten annually equal installments. The first installment started after four years from the date of contract. This loan does not carry any finance interests (note14). The last installment has been paid during the year ended 31 August 2022. This loan is secured by mortgage title deed and ownership of real estate including mortgage of the project land and any constructions thereon. The Company is still in the process of finalizing the mortgage release procedures.

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

	31 August 2022	31 August 2021
Balance at beginning of the year	7,500,000	12,500,000
Paid during the year	(7,500,000)	(5,000,000)
Balance at the end of the year	--	7,500,000

The present value of loans obtained from the Ministry of Finance is as follows:

Total loans at end of the year	--	7,500,000
Less: deferred finance charges		
Balance at beginning of the year	(208,725)	(798,521)
Finance charges for the year	208,725	589,796
Balance at the end of the year	--	(208,725)
Present value of loans at end of the year	--	7,291,275

(Amounts in Saudi Riyals)

13. ISLAMIC MURABAHA AND MINISTRY OF FINANCE (CONTINUED)

Islamic Murabaha from commercial banks

13-3 Murabaha from a commercial bank to finance purchasing a plot in Al-Qairawan District in Riyadh on 7 March 2016 corresponding to 27 Jumada Al Awal 1437H. Murabaha has been obtained in the amount of SR 40,697,967 including returns with the amount of SR 9,721,973 at a profit return rate of 7.5% provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 4,069,797 each. The first installment was paid on 10 September 2017. Murabaha has been obtained through mortgaging this plot in the name of a subsidiary of the bank as a collateral, and will be release upon settlement of the last installment on 8 September 2023 (note 6).
As at 31 August 2022 the balance of Murabaha amounted to SR 12,209,390.

13-4 Murabaha from a commercial bank to finance purchasing plots in Khobar on 18 May 2017 corresponding to 21 Sha'ban 1438H. Murabaha has been obtained amounting in the amount of SR 16,975,695 including returns with the amount of SR 4,341,174 at a profit return rate of 8.25% to purchase two plots to build schools in Khobar provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 1,626,808 each. The first installment was repaid on 18 November 2018. Murabaha has been obtained through mortgaging this plot in the name of a subsidiary of the aforementioned bank, and the same shall be released upon settlement of the last installment on 18 May 2025 (note 6-5). As at 31 August 2022 the balance of Murabaha amounted to SR 9,760,848.

13-5 Murabaha from a commercial bank to finance a school complex in Al-Qairawan district in Riyadh and a school complex in Khobar on 15 August 2017 corresponding to 23 Dhul Qi'dah 1438H. The facility agreement has been approved by the General Assembly in its meeting held on 8 January 2018 corresponding to 21 Rabi II 1439H with a limit of SR 150 million has been obtained for a period of 7 years includes returns at profit return rate at SIBOR +2% provided that the facility shall be repaid in semi-annual installments. The facility has been obtained through mortgaging real estates of the facility in addition to a promissory note with the maximum limit of the amount or outstanding thereof and amerceable bail and performing by the Chairman and the Managing Director at the date of obtaining Murabaha. An amount of SR 1,269,585 has been utilized including returns of SR 360,495. The first installment has paid on 13 January 2019.
As at 31 August 2022, the balance of Murabaha amounted to SR 816,610.

	31 August 2022	31 August 2021
Balance at beginning of the year	**28,716,769**	28,833,428
Paid during the year	**(5,929,922)**	(116,659)
Balance at the end of the year	**22,786,847**	28,716,769

The present value of Islamic Murabaha granted by commercial banks is as follows:	**31 August 2022**	31 August 2021
Total Islamic Murabaha at the end of the year	**22,786,847**	28,716,769
Less: deferred finance charges		
Balance at beginning of the year	**(1,058,081)**	(2,371,386)
Finance charges for the year	**521,308**	1,313,305
Balance at the end of the year	**(536,773)**	(1,058,081)
Present value of Islamic Murabaha at the end of the year	**22,250,074**	27,658,688

(Amounts in Saudi Riyals)

13. ISLAMIC MURABAHA AND MINISTRY OF FINANCE (CONTINUED)

The total movement of Islamic Murabaha and loans of Ministry of Finance during the year are as follows:

	31 August 2022	31 August 2021
Balance at the beginning of the year	**36,216,769**	41,333,428
Paid during the year	**(13,429,922)**	(5,116,659)
Balance at the end of the year	**22,786,847**	36,216,769
Less: deferred finance charges		
Balance at the beginning of the year	**(1,266,806)**	(3,169,907)
Finance costs during the year	**730,033**	1,903,101
Balance at the end of the year	**(536,773)**	(1,266,806)
Present value of Islamic Murabaha and Ministry of Finance Loans at end of the year	**22,250,074**	34,949,963
Current portion of Islamic Murabaha and Ministry of Finance loans	**11,626,526**	18,917,801
Non-current portion of Islamic Murabaha and Ministry of Finance loans	**10,623,548**	16,032,162
Present value of Islamic Murabaha and Ministry of Finance Loans at end of the year	**22,250,074**	34,949,963

14. DEFERRED REVENUE OF GOVERNMENT GRANTS

Deferred revenue "government grants" have been recognized by the difference between the current value of government loans and their nominal value granted by the Ministry of Finance to the company (note 13-1 and 13-2).

	31 August 2022	31 August 2021
Balance at the beginning of the year	**208,725**	798,521
Amortized during the year	**(208,725)**	(589,796)
Deferred revenue of government grants at the end of the year	**--**	208,725
Current portion of deferred revenue of government grants	**--**	208,725
Non-current portion of deferred revenue of government grants	**--**	--
Deferred revenue of government grants at the end of the year	**--**	208,725

15. ADVANCE FROM CUSTOMERS

Represents amount received in advance for tuition fees for the academic year 2022 - 2023.

16. ACCRUED EXPENSES AND OTHER PAYABLES

	31 August 2022	31 August 2021
Accrued expenses	**8,432,156**	5,164,554
Retentions	**1,260,823**	1,823,850
Due to Related Party (note 32)	**60,738**	60,111
Others	**3,394,832**	628,589
	13,148,549	7,677,104

(Amounts in Saudi Riyals)

17. PROVISION FOR ZAKAT

a) Zakat status
The Group and its subsidiaries filed their Zakat returns separately to the Zakat, Tax and Customs Authority ("ZATCA") based on the financial statements of each company up to and including the year ended 31 August 2021. The Company and its subsidiaries obtained the Zakat certificate for all past years and paid Zakat payable accordingly.

b) The Group is subject to zakat according to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. National Company for Learning and Education has finalized its Zakat status and obtained final Zakat assessments for the years up to the financial year ended 31 August 2020.

Zakat has been calculated for the year ended 31 August 2022 based on Zakat base comprising of the following significant components:

	31 August 2022	31 August 2021
Income for the year before Zakat	**73,946,709**	28,481,006
Adjustments on net income for the year	**6,764,722**	7,312,500
Adjusted net income for the year	**80,711,431**	35,793,506
Paid-up capital	**430,000,000**	430,000,000
Share premium	**100,985,697**	100,985,697
Statutory reserve	**31,493,599**	29,047,848
Retained earnings	**52,519,345**	64,820,186
Carried forward provisions	**59,608,214**	63,370,379
Net leased liability and right of use asset	**5,381,457**	2,268,240
Amounts added / (deductible) form Zakat	**33,373,404**	31,554,564
Property and equipment	**(561,406,913)**	(518,770,289)
Intangible assets and goodwill	**(80,067,438)**	(81,237,086)
Islamic Murabaha and loans of Ministry of Finance	**22,250,074**	35,158,688
Dividends paid during the year	**(34,400,000)**	(34,400,000)
Prepaid expenses to purchase property and equipment	**(13,160,896)**	(10,676,831)
Adjusted to the Zakat base	**1,479,319**	3,483,998
Total	**128,735,268**	151,398,900
Zakat base	**128,735,268**	151,398,900
Zakat payable @ 2.5%	**3,218,382**	3,784,973

Movement in Zakat provision is as follows:

	31 August 2022	31 August 2021
Balance at the beginning of the year	**4,019,683**	4,846,992
Additions during the year a result of acquisition of subsidiaries	--	28,699
Provided during the year	**3,218,382**	3,784,973
Differences in Zakat examination	--	238,525
Paid during the year	**(3,380,148)**	(4,879,506)
Provision no longer required	**(318,195)**	--
	3,539,722	4,019,683

(Amounts in Saudi Riyals)

18. EMPLOYEES' BENEFITS

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor Law. These benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws and regulations of Saudi Arabia.

The following table summarizes the components of net benefit expenses recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income in addition to the amounts included in consolidated statements of financial position.

Net expense recognized in consolidated statement of profit or loss:

	31 August 2022	31 August 2021
Service cost	**4,843,000**	4,920,500
Interest cost	**1,717,000**	1,692,000
	6,560,000	6,612,500

Provision for employees' benefits recognized in the statement of consolidated financial position:

	31 August 2022	31 August 2021
Balance at the beginning of the year	**53,774,000**	52,778,000
Additions during the year a result of acquisition of subsidiary	--	1,418,000
Current service cost	**4,843,000**	4,920,500
Interest cost	**1,717,000**	1,692,000
	6,560,000	6,612,500
Paid during the year	**(8,689,327)**	(6,947,098)
Transferred to Accrued expenses and other payables	**(3,328,000)**	--
Actuarial (losses) /gains recognized in the statement of comprehensive income	**1,097,327**	(87,402)
Balance at the end of the year	**49,414,000**	53,774,000

Key assumptions used to determine provision for employees' benefits are as follows:

	31 August 2022	31 August 2021
Discount rate	**3.55%**	3.2%
Future salary increase rate	**2%**	2%

Change in an actuarial assumption with all other assumptions held constant could affect the provision for employees' benefits in the following amounts:

	31 August 2022		31 August 2021	
	Increase (1%)	Decrease (1%)	Increase (1%)	Decrease (1%)
Discount rate	**49,053,000**	**57,147,000**	50,239,000	58,006,000
Future salary increase rate	**57,173,000**	**48,967,000**	58,014,000	50,170,000

The sensitivity analysis above may not be representative of an actual change in provision for employees' benefits as it is unlikely that changes in assumptions would occur in isolation of one another.

(Amounts in Saudi Riyals)

19. SHARE CAPITAL

The Company's share capital amounting to SR 430 million (2021: SR 430 million) divided into 43 million shares (2021: 43 million shares) with a nominal value of SR 10 each.

20. SHARE PREMIUM

The share premium represents the difference between the value of the share and its par value at the date of issuance, after deducting subscription expenses as set out in the published prospectus and may not be distributed as dividends to the shareholders.

21. STATUTORY RESERVE

In accordance with the Company'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 the share capital.

This reserve is not available for distributions to the shareholders.

22. REVENUE

	For the year ended	
	31 August 2022	31 August 2021
Tuition fees	**305,548,423**	174,399,714
Student transportation fees	**685,000**	--
Sport club revenue	**2,297,571**	1,688,127
	308,530,994	176,087,841

The Group believes that it fulfills its performance obligations in its contracts with customers over time.

23. GOVERNMENT GRANTS AND SUBSIDIES

	For the year ended	
	31 August 2022	31 August 2021
Ministry of Human Resources support	**6,523,673**	9,406,329
Revenue from government subsidies for education	**421,671**	1,108,300
Realized revenue from government grants (note 14)	**208,725**	589,796
	7,154,069	11,104,425

24. COST OF REVENUE

	For the year ended	
	31 August 2022	31 August 2021
Salaries, wages and other employee benefits	**130,045,420**	81,595,877
Depreciation of right-of-use assets (note 8)	**13,808,534**	6,427,885
Amortization and depreciation	**10,350,573**	6,987,582
Printings, tools and consumables	**9,442,560**	5,058,958
Government charges	**7,768,315**	7,151,201
Medical insurance	**5,489,732**	4,509,308
Water, electricity and communications	**4,631,935**	2,976,072
Hospitality and activities	**3,326,694**	610,171
Maintenance and fuel	**1,868,681**	530,889
Others	**2,446,748**	934,486
	189,179,192	116,782,429

(Amounts in Saudi Riyals)

25. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	31 August 2022	31 August 2021
Salaries, wages and other employee benefits	**26,779,907**	19,787,336
Bank commissions	**4,072,313**	2,185,331
Government charges	**1,737,841**	1,307,228
Amortization of students list	**1,717,970**	1,717,970
Maintenance and fuel	**1,279,453**	2,019,230
Training and consulting	**1,198,892**	1,096,678
Medical insurance	**1,127,579**	1,274,423
Water, electricity and communications	**1,116,903**	909,910
Printings, tools and consumables	**1,085,743**	708,971
Amortization and depreciation	**789,672**	737,093
Hospitality and activities	**385,345**	284,667
Others	**2,497,666**	2,320,275
	43,789,284	34,349,112

26. OTHER INCOME

	For the year ended	
	31 August 2022	31 August 2021
Rent for food canteens	**417,020**	935,345
Other miscellaneous income	**762,818**	188,405
	1,179,838	1,123,750

27. FINANCE COSTS, NET

	For the year ended	
	31 August 2022	31 August 2021
Interest on lease liabilities	**4,404,683**	2,560,725
Interest cost of end of service benefits	**1,717,000**	1,692,000
Finance costs for Islamic Murabaha and loans of Ministry of Finance	**463,454**	1,262,613
Finance costs for government grants	**208,725**	589,796
Short-term Islamic Murabaha returns	**(569,315)**	(421,575)
	6,224,547	5,683,559

28. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit 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.

	31 August 2022	31 August 2021
Net profit for the year	**71,046,522**	24,457,508
Weighted average number of shares	**43,000,000**	43,000,000
	1.65	0.57

(Amounts in Saudi Riyals)

29. FINANCIAL ASSETS AND LIABILITIES

29.1 Financial asset

	31 August 2022	31 August 2021
Financial assets at amortized cost:		
Accounts receivable	**22,705,762**	19,373,208
Other receivables	**4,124,807**	3,902,050
Cash and cash equivalents	**169,685,730**	137,499,269
Total financial assets at amortized cost	**196,516,299**	160,774,527

29.2 Financial liabilities

	31 August 2022	31 August 2021
Financial liabilities at amortized cost:		
Islamic Murabaha and loans of Ministry of Finance	**22,250,074**	34,949,963
Lease liabilities on right-of-use assets	**131,454,567**	68,302,948
Accounts payable	**2,194,153**	164,990
Accrued expenses and other payables	**13,148,549**	7,677,104
Total financial liabilities at amortized cost	**169,047,343**	111,095,005
Current portion of financial liabilities	**37,989,569**	32,457,487
Non-current portion of financial liabilities	**131,057,774**	78,637,518
Total financial liabilities	**169,047,343**	111,095,005

Fair values of financial assets and financial liabilities measured at amortized cost are not significantly different from their carrying amounts.

30. COMMITMENTS

	31 August 2022	31 August 2021
Contractual commitments for suppliers	**12,307,280**	6,565,160
Capital commitments - projects in progress *	**6,462,490**	10,840,740
	18,769,770	17,405,900

* Capital commitments are related to Al-Qairawan and Telal Al-Doha projects for the construction of new school classrooms (note 6-2 and 6-3).

31. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Group is exposed to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Risk management is carried out by the senior management under policies approved by the Board of Directors. Senior management identifies and evaluates, when appropriate, financial risks in close co-operation with the Group's operating units.

a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

31. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk
Currency risk is the risk that the value of financial instruments will change due to changes in foreign exchange rates. Most of the Group's transactions are in Saudi Riyals.

The management closely and continuously monitors the exchange rate fluctuations. Based on its experience and market feedback, the management does not believe it is necessary to hedge the effect of foreign exchange risks as most of the transactions of foreign currency risk is relatively limited in the medium term.

Commission (interest) rate risk
Fair value and cash flow interest rate risks are the exposures to various risk associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group is exposed mainly to interest rate risk as a result of Murabaha from commercial banks. The Group manages its financing through optimizing available cash and minimizing borrowings.

The possible reasonable change of 100 bps of interest rates at the reporting date would have resulted in an increase (decrease) of equity and profit or loss by SR 222,500.

b) Credit risk
Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is principally exposed to credit risk from cash and cash equivalents, accounts receivables and other receivables.

The carrying amount of financial assets represents the maximum credit risk.

Cash and cash equivalents
Cash and cash equivalents are held with banks with good credit ratings. The Group regularly updates its cash flows.

Accounts receivable
The credit quality of financial assets that are neither past due nor impaired are being assessed by reference to customers with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past. The Group recognizes provisions by measuring the probability of collection of amounts from customers if the probability of collection is low and takes into account write-off of due debts. Credit and Collection Operations provide inputs on the aging of financial assets on a periodic basis.

The Group provides for receivables by applying the simplified approach to assess the expected credit losses. The provision of accounts receivable amounted to SR 13.95 million (31 August 2021: SR 15.34 million). The following table shows aging of the accounts receivable:

	31 August 2022	31 August 2021
Balances less than 1 year	**17,876,363**	14,262,221
Balances more than one year and less than two years	**4,406,670**	6,961,463
Balances more than 2 years and less than 3 years	**3,549,180**	3,678,316
Balances more than 3 years	**10,830,474**	9,812,198
Total	**36,662,687**	34,714,198
Impairment of accounts receivable balances	**(13,956,925)**	(15,340,990)
Net accounts receivable	**22,705,762**	19,373,208

(Amounts in Saudi Riyals)

31. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due without incurring unacceptable losses or risking damage to the Group's reputation.

The management closely and continuously monitors the liquidity risk by performing regular review of available funds, present and future commitments, operating and capital expenditure. Moreover, the Group monitors the actual cash flows and seeks to match the maturity dates with its financial assets and liabilities.

The Group seeks continuously to comply with its legal obligations, including any, relating to its financing agreements.

The following represents the maturities of financial liabilities at the reporting date based on undiscounted contractual cash flows:

	Less than 1 year	1-5 years	Above 5 years	Total contractual cash flows	Carrying value
As at 31 August 2022					
lease liability on right-of-use assets	**15,100,000**	**65,780,000**	**77,844,500**	**158,724,500**	**131,454,567**
Islamic Murabaha and Ministry of Finance Loans	**11,626,526**	**11,160,322**	--	**22,786,848**	**22,250,074**
Accounts payable	**2,194,153**	--	--	**2,194,153**	**2,194,153**
Accrued expenses and other payables	**13,148,549**	--	--	**13,148,549**	**13,148,549**
	42,069,228	**76,940,322**	**77,844,500**	**196,854,050**	**169,047,343**
As at 31 August 2021					
lease liability on right-of-use assets	7,150,000	31,985,000	50,189,500	89,324,500	68,302,948
Islamic Murabaha and Ministry of Finance Loans	13,429,922	22,786,848	--	36,216,770	34,949,963
Accounts payable	164,990	--	--	164,990	164,990
Accrued expenses and other payables	7,677,104	--	--	7,677,104	7,677,104
	28,422,016	54,771,848	50,189,500	133,383,364	111,095,005

c) Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying consolidated financial statements are prepared under the historical cost method, differences may arise between the carrying values and the fair value estimates. Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

(Amounts in Saudi Riyals)

31. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Capital management

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

The Group's net debt to equity ratio at the end of the year are as follows:

	31 August 2022	31 August 2021
Islamic Murabaha and loans of Ministry of Finance	**22,250,074**	34,949,963
Less: cash and cash equivalents	**(169,685,730)**	(137,499,269)
Net debt	**(147,435,656)**	(102,549,306)
Total Shareholders equity	**650,547,836**	614,998,641
Net debt to Shareholders equity ratio	**(%23)**	(17٪)

32. RELATED PARTIES

In the ordinary course of its business, the Group deals with the shareholders of the Group, the affiliates companies owned by the shareholders and the key management personnel. Following are the details of major transactions with related parties:

	Nature of transactions	**31 August 2022**	31 August 2021
Aja Trading and Contracting Company – (affiliate)	Contracting revenue	**66,810**	1,058,960
Refan Operation and Maintenance Company (*)	Operation and Maintenance	**--**	2,023,652
Specialized Buildings Company – (affiliate)	Supervision on projects in progress	**74,690**	16,720
Aaj Real Estate Investment Company – (affiliate) (*)	Purchases share's Refan	**--**	473,000
Yamami Holding Company – (affiliate) (*)	Building lease and Purchases share's Refan	**7,950,000**	473,000

(*) During last year, the Group has acquired 100% controlling interests of Refan Operation and Maintenance Company's interests and voting rights, which was owned by Yamami Holding Company and Aaj Real Estate Investment Company (related parties).

	31 August 2022	31 August 2021
Due to related parties (within accrued expenses and other payables)		
Aja Trading and Contracting Company	**--**	37,507
Specialized Buildings Company	**60,738**	22,604
	60,738	60,111

Key management compensations

	31 August 2022	31 August 2021
Salaries and other short-term benefits	**4,126,485**	2,370,033
End of service benefits	**411,211**	129,126
	4,537,696	2,499,159

Board of Directors' remuneration and related benefits

Board of directors' remunerations and benefits	**888,600**	703,725
	888,600	703,725

(Amounts in Saudi Riyals)

33. SEGMENT REPORTING

The Group operates in the ownership and management of private schools for public education. Information related to operating segments of the Group mentioned below are regularly submitted to Operating Decision Makers of the Group.

- The Group's activities are related to the following main business segments:
  - Al-Rayan schools
  - Al-Rawabi schools
  - Al-Nuzha schools
  - Qurtubah schools
  - Bureydah schools
  - Al Khwarizmi Schools
  - Al Ghad Schools
  - Al Qairwan Schools
  - Al Aridh Schools
  - Other

As at and for the year ended 31 August 2022

	Al-Rayan Schools	Al-Rawabi Schools	Al-Nuzha Schools	Qurtubah schools	Buraydah schools	Al Khwarizmi Schools	Al Ghad Schools	Al Qairwan schools	Al Aridh Schools	Others	Projects in progress	Elimination inter-company transactions	Total
Revenues	57,577,741	65,326,558	52,179,525	10,480,041	11,892,061	17,230,923	31,466,449	41,696,163	20,681,533	7,439,938	-	(7,439,938)	308,530,994
Government grants and subsidies	1,326,753	1,184,421	1,192,920	533,127	505,166	245,747	399,342	948,843	817,750	-	-	-	7,154,069
Cost of revenue	(34,531,533)	(37,726,554)	(26,120,259)	(7,013,061)	(10,012,583)	(7,800,703)	(21,021,952)	(21,219,335)	(19,039,308)	(6,788,569)	-	2,094,665	(189,179,192)
Gross profit	24,372,961	28,784,425	27,252,186	4,000,107	2,384,644	9,675,967	10,843,839	21,425,671	2,459,975	651,369	-	(5,345,273)	126,505,871
Property,and equipment	95,122,663	67,236,118	79,103,472	33,375,778	52,352,424	7,309,362	1,646,704	102,160,372	3,702,905	9,496	119,387,619	-	561,406,913
Depreciation	1,667,477	1,565,163	2,232,262	679,636	1,531,365	534,518	382,623	2,052,972	393,827	1,824	-	-	11,041,667

As at and for the year ended 31 August 2021

	Al-Rayan Schools	Al-Rawabi Schools	Al-Nuzha Schools	Qurtubah schools	Buraydah schools	Al Khwarizmi Schools	Al Ghad Schools	Al Qairwan schools	Other	Projects in progress	Elimination inter-company transactions	Total
Revenues	40,391,846	48,813,750	36,409,426	3,869,245	3,601,625	11,012,835	21,584,783	10,404,331	3,801,474	–	(3,801,474)	176,087,841
Government grants and subsidies	2,521,269	3,082,773	2,568,770	486,940	758,604	345,075	824,927	516,067	–	–	–	11,104,425
Cost of revenue	(24,060,719)	(31,797,557)	(17,976,955)	(3,435,416)	(4,749,747)	(5,447,602)	(17,992,225)	(8,538,501)	(3,265,827)	–	482,120	(116,782,429)
Gross profit	18,852,396	20,098,966	21,001,241	920,769	(389,518)	5,910,308	4,417,485	2,381,897	535,647	–	(3,319,354)	70,409,837
Property and equipment	82,619,277	67,489,208	77,995,430	32,425,201	37,751,490	7,771,052	1,451,384	18,565,051	11,320	192,690,876	–	518,770,289
Depreciation	1,102,872	1,467,118	1,965,919	555,495	921,798	561,446	358,346	556,186	1,380	–	–	7,490,560

Due to the nature of the Group's activity and management style, it is not practical to allocate the remaining assets and liabilities of the Group according to different sectors.

(Amounts in Saudi Riyals)

33. SEGMENT REPORTING (CONTINUED)

Reconciliation of information on reportable segments to net income for the Group

	31 August 2022	31 August 2021
Gross profit from sectors	**126,505,871**	70,409,837
Other income	**1,179,838**	1,123,750
Marketing and advertising expenses	**(4,551,078)**	(4,519,910)
General and administrative expenses	**(43,789,284)**	(34,349,112)
Reversal of account receivables impairment	**825,909**	1,500,000
Finance costs, net	**(6,224,547)**	(5,683,559)
Total unallocated amount	**(52,559,162)**	(41,928,831)
Income before Zakat	**73,946,709**	28,481,006

34. DIVIDENDS

The Ordinary General Assembly held on 9 January 2022 approved the distribution of dividends to shareholders amounting of SR 34.4 million at SR 0.80 per share (2021: SR 34.4 million at SR 0.80 per share).

35. SUBSEQUENT EVENTS

The Group's management believes that there are no significant subsequent events since the end of the year that may require disclosure or amendment of these consolidated financial statements.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved for and authorized for issuance by the Board of Directors on 21 Rabi' II 1444H (corresponding to 15 November 2022).