

National Company for Learning and Education
(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended 31 August 2023
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 2023

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Independent Auditor's Report

**To the shareholders of National Company for Learning and Education
(A Saudi Joint Stock Company)
Riyadh - Kingdom of Saudi Arabia**

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of **National Company for Learning and Education (A Saudi Joint Stock Company)** "The Company" and its subsidiaries (Together the Group"), which comprise the consolidated statement of financial position as at 31 August 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent 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 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 judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 August 2023. 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. The key audit matters include:

Independent auditor's report on the audit of the consolidated financial statements of National Company For Learning and Education for the year ended 31 August 2023 (continued)

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the key audit matter
<p>Revenue Recognition from Education Service</p> <p>During the year ended 31 August 2023, the group's revenue from educational services amounted to 440 million Saudi riyals.</p> <p>Revenues were recognized when rendering educational services to students enrolled in schools and are stated net after deductions and exemptions in accordance with the requirements of International Financial Reporting Standard No. 15 Revenues from Contracts with Customers.</p> <p>Revenue recognition was considered a key audit matter, given that revenue is one of the core performance indicators which includes an inherent risk that revenue may be potentially overstated.</p> <p>Please refer to the significant accounting policies contained in Note No. (4-n) to view the policy related to revenue recognition, Note No. (23) regarding revenues and Note No. (34) regarding the segment reporting detailing revenues.</p>	<p>We implemented the following procedures to audit the educational services revenue:</p> <ul style="list-style-type: none"> - Evaluating the Group's policy in recognizing revenue in accordance with the requirements of International Financial Reporting Standard (15) "Revenue from Contracts with Customers". - Evaluate the design and implementation of relevant internal control systems related to oversight of revenue recognition. - Testing samples of recorded revenue transactions and comparing them with supporting documents to verify the existence and accuracy of recorded revenues. - Conducting analytical tests that include recalculating the total tuition revenues, based on the number of students and the approved tuition fees for each stage. We also obtained explanations for significant changes (if any). - Evaluating the appropriateness of the disclosures included in the attached consolidated financial statements.
<p>Impairment of Goodwill</p> <p>Assessing the impairment in the value of goodwill is one of the key audits matter due to the significance of the balance in addition to the important judgments exercised by management. The consolidated financial statements included goodwill worth 82.8 million Saudi riyals as of 31 August 2023, and the main assumptions are related to the future cash flows of the core business in addition to the discount rates applied to derive the net present values associated with them. The possibility of impairment in the value of goodwill is tested annually.</p> <p>Please refer to Note No (5b) related to significant accounting estimates, the significant accounting policies contained in No. (4-h-2) to view the policy related to impairment in the value of goodwill and Note No. (8) to view more details related to goodwill.</p>	<p>We obtained all impairment tests provided by management, and we performed the following tests:</p> <ul style="list-style-type: none"> - We have ensured that the calculations for recoverable amounts are based on the latest business plans. The management also follows a clearly documented mechanism to estimate future cash flows in the years from 2024 to 2028. The five-year work plan used to determine the recoverable amounts is approved by one of the committees of the Board of Directors. - We have assessed the reasonableness of the business plan by comparing implied growth rates with market and analyst forecasts. - We have assessed the extent to which management reflected the result of comparing budgeted versus actual numbers in its current assessment and the extent to which it adjusted the actual revenue growth rates and operating margins in the current year's model. - We have compared model inputs, such as weighted average cost of capital, long-term growth rate and other assumptions, to observable market data.

Independent auditor's report on the audit of the consolidated financial statements of the National Company For Learning and Education for the year ended 31 August 2023 (continued)

	<ul style="list-style-type: none"> - We conducted a sensitivity analysis of the key assumptions to ascertain the extent of change in those assumptions that would be required to calculate the impairment of goodwill. - Evaluated the appropriateness of the disclosures included in the attached consolidated financial statements.
<p>Measurement of expected credit losses</p>	
<p>As of 31 August 2023, the total amount of receivables amounted to 41.7 million Saudi riyals and the balance of expected credit losses amounted to 19.5 million Saudi riyals.</p> <p>The Company's management applied a simplified expected credit loss model to determine expected credit losses in receivables balances in accordance with the requirements of International Financial Reporting Standard No. (9) Financial Instruments.</p> <p>Given that the expected credit loss model is based on significant estimates and assumptions, we considered the calculation of the expected credit losses in accounts receivable balances in light of IFRS 9 requirements as one of the key audit matters.</p> <p>Please refer to Note No. (5c) regarding accounting estimates, (4f) regarding the accounting policy related to measuring expected credit losses, Note No. (11) regarding receivables, and Note No. (32b) regarding credit risks.</p>	<p>Our audit procedures related to expected credit losses in receivables balances included the following:</p> <ul style="list-style-type: none"> - Evaluating the suitability of accounting policies related to credit losses in receivables balances, as well as evaluating the extent of compliance with the requirements of applicable accounting standards. - Obtain an understanding of the procedure for determining credit losses in the value of receivables. - Evaluating the accuracy and classification of receivables in the receivable aging report by matching a sample of receivable aging items with invoices and supporting documents. - Evaluating the significant assumptions and estimates used by management, including those related to future economic events used in calculating the probability of default and expected loss at default and testing the mathematical accuracy of the expected credit loss model. - We involved specialized experts in reviewing the calculation models for expected credit losses. - Evaluating the appropriateness of the disclosures included in the attached consolidated financial statements.

Other Matter

The Company's consolidated financial statements for the year ended 31 August 2022 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements in their report dated 27 Rabi' II 1444 H corresponding to 21 November 2022.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, when it is available to us, if we discover that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditor's report on the audit of the consolidated financial statements of National Company For Learning and Education for the year ended 31 August 2023 (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance, i.e., the Audit Committee and Bord of Directors, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent auditor's report on the audit of the consolidated financial statements of National Company For Learning and Education for the year ended 31 August 2023 (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 a 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.

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
License No. 362



Riyadh, on: 15 Jumada Al Oula 1445 H
Corresponding to: 29 November 2023 G

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 August 2023
(Amounts in Saudi Riyals)

	Notes	31 August 2023	31 August 2022
Assets			
Non-current assets			
Property and equipment	7	696,556,652	561,406,913
Advance payment to suppliers	12	21,398,686	13,160,896
Intangible assets and goodwill	8	91,642,475	80,067,438
Right-of-use assets	9	287,947,376	126,073,110
Total non-current assets		1,097,545,189	780,708,357
Current assets			
Inventory	10	2,147,336	4,157,429
Accounts receivable	11	22,200,577	22,705,762
Prepayments and other receivables	12	43,207,599	26,425,858
Cash and cash equivalents	13	168,699,723	169,685,730
Total current assets		236,255,235	222,974,779
Total assets		1,333,800,424	1,003,683,136
Owners' equity and liabilities			
Owner equity			
Share capital	20	430,000,000	430,000,000
Share premium	21	100,985,697	100,985,697
Statutory reserve	22	48,776,703	38,598,251
Retained earnings		124,959,603	80,963,888
Total owners' equity		704,722,003	650,547,836
Liabilities			
Non-current liabilities			
Non-current portion of Islamic Murabaha	14	29,406,179	10,623,548
Employees' benefits	19	59,018,000	49,414,000
Non-current portion of lease liability on right-of-use assets	9	270,021,165	120,434,226
Total non-current liabilities		358,445,344	180,471,774
Current liabilities			
Current portion of Islamic Murabaha	14	17,649,048	11,626,526
Advances from customers	16	216,908,226	131,134,235
Accounts payable		3,846,520	2,194,153
Current portion of lease liability on right-of-use assets	9	12,489,902	11,020,341
Accrued expenses and other payables	17	15,525,492	13,148,549
Zakat Provision	18	4,213,889	3,539,722
Total current liabilities		270,633,077	172,663,526
Total liabilities		629,078,421	353,135,300
Total owners' equity and liabilities		1,333,800,424	1,003,683,136

The accompanying notes from (1) through (38) 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 2023
(Amounts in Saudi Riyals)

	<u>Notes</u>	<u>31 August 2023</u>	<u>31 August 2022</u>
Revenue	23	446,493,133	308,530,994
Government grants and subsidies	24	15,466,227	7,154,069
Cost of revenue	25	(266,046,412)	(189,179,192)
Gross profit		195,912,948	126,505,871
Marketing and advertising expenses		(8,864,142)	(4,551,078)
General and administrative expenses	26	(71,100,755)	(43,789,284)
(Losses) / reversal of expected credit loss	11	(4,200,000)	825,909
Other income	27	2,439,202	1,179,838
Operating profit		114,187,253	80,171,256
Finance costs and returns, net	28	(9,207,217)	(6,224,547)
Income for the year before Zakat		104,980,036	73,946,709
Zakat expense	18	(3,195,512)	(2,900,187)
Net profit for the year		101,784,524	71,046,522
Earnings per share:			
Basic and diluted earnings per share	29	2.37	1.65

The accompanying notes (1) through (38) 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 2023
(Amounts in Saudi Riyals)

	<u>Notes</u>	<u>31 August 2023</u>	<u>31 August 2022</u>
Net profit for the year		<u>101,784,524</u>	<u>71,046,522</u>
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Actuarial gains / (losses) from re-measurement of employees' benefits	19	3,989,643	(1,097,327)
Total items that will not be reclassified subsequently to profit or loss		<u>3,989,643</u>	<u>(1,097,327)</u>
Total items of other comprehensive income (other comprehensive loss) for the year		<u>3,989,643</u>	<u>(1,097,327)</u>
Total comprehensive income for the year		<u>105,774,167</u>	<u>69,949,195</u>

The accompanying notes from (1) through (38) 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 OWNERS' EQUITY
For the year ended 31 August 2023
(Amounts in Saudi Riyals)

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total owners' equity</u>
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 35)	-	-	-	(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
Balance as at 1 September 2022	430,000,000	100,985,697	38,598,251	80,963,888	650,547,836
Net profit for the year	-	-	-	101,784,524	101,784,524
Other comprehensive income	-	-	-	3,989,643	3,989,643
Total comprehensive income for the year	-	-	-	105,774,167	105,774,167
Transferred to statutory reserve	-	-	10,178,452	(10,178,452)	-
Dividends - (note 35)	-	-	-	(51,600,000)	(51,600,000)
Balance as at 31 August 2023	430,000,000	100,985,697	48,776,703	124,959,603	704,722,003

The accompanying notes from (1) through (38) 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 2023

(Amounts in Saudi Arabian Riyals)

	Notes	31 August 2023	31 August 2022
Cash flows from operating activities			
Profit for the year before Zakat		104,980,036	73,946,709
Adjustments for:			
Losses (Reversal) for account receivables	11	4,200,000	(825,909)
Impairment (Reversal) for other receivable balances	12	475,412	(578,731)
Depreciation and amortization	7,8,9	35,304,103	26,666,749
Gains from selling property and equipment		(156,522)	-
Employees' benefits	19	6,049,690	4,843,000
Finance costs	28	11,165,981	6,793,862
Return on short-term Islamic Murabaha	28	(1,958,764)	(569,315)
Realized revenue from government grants	15	-	(208,725)
		160,059,936	110,067,640
Changes in operating assets and liabilities			
Accounts receivable		(3,236,728)	(2,506,645)
Inventory		2,010,093	(538,696)
Prepayments and other receivables		(24,671,055)	(4,921,001)
Accounts payable		1,404,652	2,029,163
Accrued expenses and other payables		1,684,342	2,143,445
Advances from customers		79,644,296	54,609,974
Cash flows generated from operating activities		216,895,536	160,883,880
Zakat paid	18	(2,521,345)	(3,380,148)
Employees' benefits paid	19	(1,651,337)	(8,689,327)
Net cash flows generated from operating activities		212,722,854	148,814,405
Cash flows from investing activities			
Purchase of property and equipment and projects in progress	7	(82,218,422)	(53,620,437)
Purchase of Intangible assets	8	(540,000)	(646,900)
Net payments for the acquisition of subsidiary company	6	(70,793,107)	-
Proceeds from return on short-term Islamic Murabaha	28	1,958,764	569,315
Proceeds from selling property and equipment		156,522	-
Net cash flows used in investing activities		(151,436,243)	(53,698,022)
Cash flow from financing activities			
Proceeds of long-term loans	14	40,000,000	-
Repayment of Islamic Murabaha	14	(17,502,618)	(13,429,922)
Dividends paid	35	(51,600,000)	(34,400,000)
Repayment of lease liabilities	9	(33,170,000)	(15,100,000)
Net cash flows used in financing activities		(62,272,618)	(62,929,922)
Net change in cash and cash equivalents		(986,007)	32,186,461
Cash and cash equivalents at beginning of the year		169,685,730	137,499,269
Cash and cash equivalents at end of the year	13	168,699,723	169,685,730
Non-cash transactions			
Actuarial gains (losses) on re-measurement of employees' benefits		3,989,643	(1,097,327)
Transferred from project in progress to property and equipment		79,881,460	104,302,640
Right-of-use assets		177,554,540	73,846,936
Lease liability on right-of-use assets		177,554,540	73,846,936
Capitalized returns on projects in progress		-	57,854
Transferred from (to) accrued expenses and other payables		206,040	(3,328,000)

The accompanying notes from (1) through (38) form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

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 its 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 Namouthajiyah Schools/ Alaridh district registered under CR no. 1010741207 Safar 1443 H corresponding to 12 September 2021.

Branch of Tarbyah Namouthajiyah Schools/ Alaridh district registered under CR no. 1010738751 dated 24 Muharram 1443 H corresponding to 1 September 2021.

Branch of Tarbyah Namouthajiyah Schools/ Qurtubah district registered under CR no. 1010867932 dated 16 Shaban 1444 H corresponding to 8 March 2023.

Branch of Tarbyah International Schools/ Alaridh district registered under CR no. 1010877645 dated 10 Shawal 1444 H corresponding to 30 April 2023.

Branch of National Company for Learning and Education/ Al-Rayan district registered under CR no. 1010887743 dated 3 Dhul Qaida 1444 H corresponding to 23 May 2023.

Branch of Tarbyah International Schools/ Hatten district registered under CR no. 1010870213 dated 24 Shaban 1444 H corresponding to 16 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

1. CORPORATE INFORMATION (CONTINUED)

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.

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

Branch of Al Ghad National Schools Company/ Riyadh registered under CR no. 1010787113 dated 6 Shaban 1443 H corresponding to 9 Mach 2022.

Branch of Al Ghad National Schools Company/ Riyadh registered under CR no. 1010787114 dated 6 Shaban 1443 H corresponding to 9 Mach 2022.

Branch of Al Ghad National Schools Company/ Riyadh registered under CR no. 1010867922 dated 21 Shaban 1444 H corresponding to 13 Mach 2023.

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

Branch of Refan Operation and Maintenance Company registered under CR no. 1010876752 dated 7 Shawal 1444H corresponding to 27 April 2023.

Al Salam Education and Training Company registered under CR no. 2051033985 dated 10 Safar 1428H corresponding to 28 February 2007.

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"):

Subsidiaries	Country of incorporation	Shareholding (%)	
		31 August 2023	31 August 2022
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 Salam Education and Training Company	Kingdom of Saudi Arabia	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.

Al Salam Education and Training Company is engaged in the field of education with national curriculum.

The Group's head office is located in Riyadh,

P. O. Box. 41980 - Riyadh 11531 Kingdom of Saudi Arabia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

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.

Fiscal year

The group’s fiscal year begins on September 1 and ends on August 31 of each year.

3. NEW STANDARDS AND AMMENDMENT ISSUED

3-1 New and amended standards and interpretations are effective

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022.

Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations
- IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in the statement of profit or loss.
- IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

The adoption of the above amendments does not have any material impact on the consolidated financial statements during the year.

3-2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the group has not early adopted them in preparing these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

3. NEW STANDARDS AND AMMENDMENT ISSUED (CONTINUED)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the consolidated financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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 Owners 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) 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.

c) 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.

d) 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 which the group intends to offset the costs that are recognized as expenses.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

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.

The Group measures loss provisions at an amount equal to expected credit losses over the life of the 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 (if any).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property and equipment (CONTINUED)

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	66 or lease term which lower
Improvements on buildings	10 or lease term which lower
Furniture & fixture	10
Computers and equipment	4-25
Motor vehicles	10

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 consolidated profit or losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Leases (CONTINUED)

Extension options

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

As a lessor

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

To classify each lease, the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is completed and, otherwise, such costs are charged to the consolidated statement of profit or loss.

k) Impairment of non-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 assets 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 an 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

The variable consideration is limited to the amount at which it is probable that a significant reversal will not occur when the uncertainties associated with the change are resolved.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Revenue recognition (CONTINUED)

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 is recognized only when the Group satisfies a performance obligation by transferring control of a promised service to the customer. Control may be 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.

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 recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 August 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

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6. ACQUISITION OF A SUBSIDIARY

Acquisition of shares in Al Salam Education and Training Company:

On 1 December 2022, the Group acquired controlling interests amounting to 100% of the shares and voting rights of Al Salam Education and Training Company (“the Subsidiary”). Since the group has control over the subsidiary, its financial statements have been consolidated within these consolidated statements.

Al Salam Education and Training Company is engaged in the field of education with national curriculum.

Al Salam Education and Training Company’s revenues amounted to 29.6 million Saudi riyals and net profits amounted to 2.5 million Saudi riyals for the period from 1 September 2022 until 31 August 2023. Since the date of acquisition of the company is 1 December 2022, the group’s management has consolidated the business only for the period from the date of acquisition until 31 August 2023. This led to increase in the group’s revenue and net profits by 22.1 million Saudi riyals and 2.4 million Saudi riyals, respectively.

During 2023, the Company completed the purchase price allocation exercise and accordingly adjusted the temporary amounts recognized at the acquisition date to reflect new information obtained about the facts and circumstances that existed at the acquisition date.

The impact on previously reported temporary amounts was as follows:

	Temporary value recognized at acquisition	Fair value adjustments	Adjusted fair values as at the acquisition date
Assets			
Property and equipment	64,902,417	5,405,813	70,308,230
Intangible assets	106,667	2,662,421	2,769,088
Accounts receivable	458,087	-	458,087
Prepayments and other receivables	823,888	-	823,888
Cash and cash equivalents	1,206,893	-	1,206,893
Total Assets	67,497,952	8,068,234	75,566,186
Liabilities			
Employees’ benefits	6,803,000	-	6,803,000
Advances from customers	6,129,695	-	6,129,695
Accounts payable	247,715	-	247,715
Accrued expenses and other payables	898,641	-	898,641
Total liabilities	14,079,051	-	14,079,051
Total net assets identifiable at fair value	53,418,901	8,068,234	61,487,135
Goodwill resulting from acquisition (note 8)	18,581,099	(8,068,234)	10,512,865
Purchase consideration transferred in cash	72,000,000	-	72,000,000

- The goodwill resulting from the acquisition of Al Salam Education and Training Company has been allocated as a cash-generating unit.

- The group incurred an amount of 311 thousand Saudi riyals, representing the costs of the acquisition process, which were charged to general and administrative expenses.

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7. PROPERTY AND EQUIPMENT

	<u>Lands (*)</u>	<u>Buildings and improvements on buildings</u>	<u>Furniture and fixture</u>	<u>Computers and equipment</u>	<u>Motor vehicles</u>	<u>Projects in progress (**)</u>	<u>Total</u>
<u>Cost</u>							
As at 1 September 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 from project in progress	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
Additions from the acquisition (note 6)	39,722,635	44,356,313	2,323,670	2,759,296	159,965	-	89,321,879
Additions during the year	-	2,749,490	11,403,417	16,485,494	4,462,355	47,117,666	82,218,422
Transfers from project in progress	19,750,000	44,645,015	3,486,634	11,999,811	-	(79,881,460)	-
Disposals during the year	-	-	(136,532)	(296,928)	(1,822,899)	-	(2,256,359)
As at 31 August 2023	216,763,810	409,163,429	69,640,136	110,272,531	12,661,529	86,623,825	905,125,260
<u>Accumulated depreciation</u>							
As at 1 September 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
Adjustments from the acquisition (note 6)	-	14,575,183	1,866,176	2,443,327	128,963	-	19,013,649
Charge for the year	-	6,897,919	4,224,143	5,944,527	310,324	-	17,376,913
Disposals during the year	-	-	(136,532)	(296,928)	(1,822,899)	-	(2,256,359)
As at 31 August 2023	-	102,721,869	38,754,769	60,410,065	6,681,905	-	208,568,608
<u>Net book value</u>							
As at 31 August 2023	216,763,810	306,441,560	30,885,367	49,862,466	5,979,624	86,623,825	696,556,652
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

(*) Includes the land of Tarbyah Namouthajiyah Schools / Al-Qairawan district amounting to SR 44,587,500 as at 31 August 2023 mortgaged to a local bank and will be released upon the settlement of the last installment on 8 September 2023 (note 14-3) In addition to the land of Al Salam National Schools /Al Khobar city amounting to SR 36,802,500 as at 31 August 2023 mortgaged to a local bank and will be released upon the settlement of the last installment on 29 November 2027 (note 14-6).

(**) 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 14-4).

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7. PROPERTY AND EQUIPMENT (CONTINUED)

The depreciation charged for the year is as follows:

	31 August 2023	31 August 2022
Cost of revenue (note 25)	16,457,960	10,350,573
General and administrative expenses (note 26)	918,953	691,094
	<u>17,376,913</u>	<u>11,041,667</u>

Projects in progress represent the following:

	31 August 2023	31 August 2022
Telal Al-Doha schools project - Dhahran (7-2)	24,339,372	63,562,718
Al-Qasr scheme project in Khobar (7-3)	18,544,171	18,544,171
Hetteen project (7-5)	17,798,308	-
Qurtubah project (7-6)	16,199,336	-
Al- Narjis project (7-4)	7,642,637	-
Other improvements to existing campuses (7-7)	2,100,001	-
Al-Qairawan schools project (7-1)	-	37,280,730
	<u>86,623,825</u>	<u>119,387,619</u>

7-1 The project represents construction works to establish schools in Al-Qairawan district, and all works on the projects were completed and fully capitalized at the beginning of the year ending 31 August 2023.

7-2 The amount represents the value of construction work for the remaining phases of the Telal Al-Doha Schools project – Dhahran.

7-3 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 are mortgaged to a local bank and will be released upon settlement of the last installment on 18 May 2025 (note 14-4).

7-4 The project represents construction works to establish schools in Al- Narjis district in the city of Riyadh. The value of construction works is amounting to 7,642,637 Saudi riyals as of 31 August 2023.

7-5 The project represents construction works to establish schools in Hetteen district in the city of Riyadh. The value of construction works is amounting to 17,798,308 Saudi riyals as of 31 August 2023 .

7-6 The project represents construction works to establish schools in Qurtubah district in the city of Riyadh. The value of construction works is amounting to 16,199,336 Saudi riyals as of 31 August 2023.

7-7 The amount represents the value of improvements to the educational complexes affiliated with the schools during the year.

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8. INTANGIBLE ASSETS AND GOODWILL

	Goodwill (*)	Student's list	Software computer	Total
<u>Cost</u>				
As at 1 September 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
Additions from the acquisition (note 6)	10,512,865	2,662,421	200,000	13,375,286
Addition during the year	-	-	540,000	540,000
As at 31 August 2023	82,805,452	14,106,103	2,836,858	99,748,413
<u>Accumulated Amortization</u>				
As at 1 September 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
Adjustments from the acquisition (note 6)	-	-	93,333	93,333
Amortization during the year	-	2,003,233	243,683	2,246,916
As at 31 August 2023	-	6,255,812	1,850,126	8,105,938
<u>Net book value</u>				
As at 31 August 2023	82,805,452	7,850,291	986,732	91,642,475
As at 31 August 2022	72,292,587	7,191,103	583,748	80,067,438

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

	Al-					Total
	Al-Rawabi	Khwarizmi	Al Ghad	Refan	Al Salam	
<u>Cost</u>						
As at 1 September 2022	11,357,834	22,208,000	37,475,000	1,251,753	-	72,292,587
Additions resulting from the acquisition (note 6)	-	-	-	-	10,512,865	10,512,865
As at 31 August 2023	11,357,834	22,208,000	37,475,000	1,251,753	10,512,865	82,805,452
As at 31 August 2022	11,357,834	22,208,000	37,475,000	1,251,753	-	72,292,587

The amortization charged for the year is as follows:

	31 August 2023	31 August 2022
General and administrative expenses (note 26)	2,246,916	1,816,548
	2,246,916	1,816,548

***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 2023.

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.

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8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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. The change is either increase or decrease of the discount rate and / or terminal growth rate does not result in an impairment loss.

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	13.7%	15.7%	13.7%	20.74%
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.

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

Right-of-use assets

	31 August 2023	31 August 2022
Balance at the beginning of the year	126,073,110	66,034,708
Additions during the year	177,554,540	73,846,936
Depreciation for the year – (note 25, 26)	(15,680,274)	(13,808,534)
Balance at end of the year	287,947,376	126,073,110

Leases liabilities on the right-of-use assets

	31 August 2023	31 August 2022
Balance at the beginning of the year	131,454,567	68,302,948
Additions during the year	177,554,540	73,846,936
Interest on lease liabilities – (note 28)	6,671,960	4,404,683
Lease payments during the year	(33,170,000)	(15,100,000)
Balance at end of the year	282,511,067	131,454,567

Current portion of lease liability on right-of-use assets **12,489,902** 11,020,341

Non-current portion of lease liability on right-of-use assets **270,021,165** 120,434,226

Lease liability on right-of-use assets **282,511,067** 131,454,567

The depreciation charged for the year is as follows:

	31 August 2023	31 August 2022
Cost of revenue (note 25)	13,808,535	13,808,534
General and administrative expenses (note 26)	1,871,739	-
	15,680,274	13,808,534

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10. INVENTORY

	<u>31 August 2023</u>	<u>31 August 2022</u>
Uniforms, publications and school books	2,147,336	4,157,429
	<u>2,147,336</u>	<u>4,157,429</u>

11. ACCOUNTS RECEIVABLE

	<u>31 August 2023</u>	<u>31 August 2022</u>
Accounts receivable	41,674,308	36,662,687
Less: Expected credit loss of receivables	(19,473,731)	(13,956,925)
	<u>22,200,577</u>	<u>22,705,762</u>

Movement in expected credit loss of receivable balances during the year is as follows:

	<u>31 August 2023</u>	<u>31 August 2022</u>
Balance at the beginning of the year	13,956,925	15,340,990
Addition from the acquisition	1,846,750	
Used during the year	(529,944)	(558,156)
Charged during the year	4,200,000	-
Reversal during the year	-	(825,909)
Balance at the end of the year	<u>19,473,731</u>	<u>13,956,925</u>

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

12. PREPAYMENTS AND OTHER RECEIVABLES

	<u>31 August 2023</u>	<u>31 August 2022</u>
Advances to suppliers (*)	31,624,162	20,276,664
Value-added tax	19,919,948	7,989,913
Prepaid expenses	8,218,848	7,645,368
Employees' advances and custodies	3,889,947	3,003,906
Others	1,847,293	1,120,901
	<u>65,500,198</u>	<u>40,036,752</u>
Less: Impairment of prepayment and other receivables	(893,913)	(449,998)
	<u>64,606,285</u>	<u>39,586,754</u>

* The amount of advance payments to suppliers include an amount of 21,398,686 Saudi riyals, which represents (the non-current portion) of the value of the amounts paid in advance for improvements and the purchase of various school devices and equipment as of 31 August 2023 (2022: 13,160,896 Saudi riyals).

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

	<u>31 August 2023</u>	<u>31 August 2022</u>
Balance at beginning of the year	449,998	1,233,054
Addition from the acquisition	77,935	-
Charged during the year	475,412	-
Used during this year	(109,432)	(204,325)
Reversal during this year	-	(578,731)
Balance at the end of the year	<u>893,913</u>	<u>449,998</u>

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13. CASH AND CASH EQUIVALENTS

	<u>31 August 2023</u>	<u>31 August 2022</u>
Current accounts with banks	73,699,723	64,685,730
Short-term Islamic Murabaha	95,000,000	105,000,000
	<u>168,699,723</u>	<u>169,685,730</u>

Short-term Islamic Murabaha carry a fixed rate of return of 5.7% and a maturity date of less than three months. Returns on short-term Islamic Murabaha deposit during the year amount of SR 1,958,764 (2022: SR 569,315) – note 28.

14. ISLAMIC MURABAHA AND MINISTRY OF FINANCE LOANS

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

Interests free Loans from the Ministry of Finance

14-1 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. 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.

14-2 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. 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.

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

	<u>31 August 2023</u>	<u>31 August 2022</u>
Balance at beginning of the year	-	7,500,000
Paid during the year	-	(7,500,000)
Balance at the end of the year	<u>-</u>	<u>-</u>

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

Total loans at end of the year	-	-
<u>Less: deferred finance charges</u>		
Balance at beginning of the year	-	(208,725)
Finance charges for the year	-	208,725
Balance at the end of the year	<u>-</u>	<u>-</u>
Present value of loans at end of the year	<u>-</u>	<u>-</u>

14. ISLAMIC MURABAHA AND MINISTRY OF FINANCE LOANS (CONTINUED)

Islamic Murabaha from commercial banks

14-3 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 7-1).

As at 31 August 2023 the balance of Murabaha amounted to SR 4,069,797.

14-4 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 3-7).

As at 31 August 2023 the balance of Murabaha amounted to SR 6,507,232.

14-5 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. All remaining installments were paid early on 23 March 2023.

14-6 Murabaha from a commercial bank to finance part of the acquisition deal for Al-Salam Education and Training Company (owner of Al-Salam Private Schools in Al-Khobar) on 1 December 2022, corresponding to 7 Jumada Al-Awwal 1444H, where a Murabaha was obtained in the amount of 47,491,058 Saudi riyals, including returns of 7,491,058 Saudi riyals with a profit rate of 6, 8%, provided that the Murabaha is paid in ten semi-annual installments, and the first installment payment begins on 29 May 2023. The Murabaha was obtained by mortgaging a plot of land registered in the name of one of the group's subsidiaries, in addition to a promissory note for the value of the total facilities on the date of obtaining the Murabaha (note 7) .

As at 31 August 2023 the balance of Murabaha amounted to SR 42,153,368.

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14. ISLAMIC MURABAHA AND MINISTRY OF FINANCE LOANS (CONTINUED)

	31 August 2023	31 August 2022
Balance at beginning of the year	22,786,847	28,716,769
Proceeds during the year	47,491,058	-
Paid during the year	(17,502,618)	(5,929,922)
Early payment discount	(44,890)	-
Balance at the end of the year	<u>52,730,397</u>	<u>22,786,847</u>

The present value of Islamic Murabaha granted by commercial banks is as follows:

	31 August 2023	31 August 2022
Total Islamic Murabaha at the end of the year	52,730,397	22,786,847
<u>Less: deferred finance charges</u>		
Balance at beginning of the year	(536,773)	(1,058,081)
Additions during the year	(7,491,058)	-
Finance cost charges for the year	2,352,661	521,308
Balance at the end of the year	<u>(5,675,170)</u>	<u>(536,773)</u>

Present value of Islamic Murabaha at the end of the year	<u>47,055,227</u>	<u>22,250,074</u>
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The total movement of Islamic Murabaha and loans of Ministry of Finance during the year are as follows:

	31 August 2023	31 August 2022
Balance at the beginning of the year	22,786,847	36,216,769
Proceeds during the year	47,491,058	-
Paid during the year	(17,502,618)	(13,429,922)
Early payment discount	(44,890)	-
Balance at the end of the year	<u>52,730,397</u>	<u>22,786,847</u>
Less: deferred finance charges		
Balance at the beginning of the year	(536,773)	(1,266,806)
Additions during the year	(7,491,058)	-
Finance cost charges for the year	2,352,661	730,033
Balance at the end of the year	<u>(5,675,170)</u>	<u>(536,773)</u>
Present value of Islamic Murabaha at end of the year	<u>47,055,227</u>	<u>22,250,074</u>
Current portion of Islamic Murabaha	17,649,048	11,626,526
Non-current portion of Islamic	29,406,179	10,623,548
Present value of Islamic Murabaha at end of the year	<u>47,055,227</u>	<u>22,250,074</u>

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15. 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 14).

	<u>31 August 2023</u>	<u>31 August 2022</u>
Balance at the beginning of the year	-	208,725
Amortized during the year	-	(208,725)
Balance at the end of the year	<u>-</u>	<u>-</u>

16. ADVANCE FROM CUSTOMERS

Represents amount received in advance for tuition fees for the academic year 2023 - 2024.

17. ACCRUED EXPENSES AND OTHER PAYABLES

	<u>31 August 2023</u>	<u>31 August 2022</u>
Accrued expenses	14,751,296	7,762,395
Claims provision	669,761	669,761
Retentions	-	1,260,823
Due to related party (note 33)	-	60,738
Others	104,435	3,394,832
	<u>15,525,492</u>	<u>13,148,549</u>

18. 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 2022. 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.

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18. PROVISION FOR ZAKAT (CONTINUED)

Zakat has been calculated for the year ended 31 August 2023 based on Zakat base comprising of the following significant components:

	<u>31 August 2023</u>	<u>31 August 2022</u>
Income for the year before Zakat	104,980,036	73,946,709
Adjustments on net income for the year	21,918,084	6,764,722
Adjusted net income for the year – Total (1)	126,898,120	80,711,431
Share capital	430,000,000	430,000,000
Share premium	100,985,697	100,985,697
Statutory reserve	38,598,251	31,493,599
Retained earnings	80,963,888	52,519,345
Carried forward provisions	71,864,072	59,608,214
Net leased liability and right of use asset	(5,436,309)	5,381,457
Amounts added to Zakat base	76,293,621	33,373,404
Property and equipment	(696,556,652)	(561,406,913)
Intangible assets and goodwill	(91,642,475)	(80,067,438)
Islamic Murabaha	47,055,227	22,250,074
Dividends paid during the year	(51,600,000)	(34,400,000)
Advance payments to purchase property and equipment	(21,398,686)	(13,160,896)
Adjusted to the Zakat base	(648,607)	1,447,294
Zakat base – Total (2)	<u>105,376,147</u>	<u>128,735,268</u>
Adjust net income for the year / Zakat base	<u>126,898,120</u>	<u>128,735,268</u>
Zakat payable 2.5%	<u>3,172,453</u>	<u>3,218,382</u>

Movement in Zakat provision is as follows:

	<u>31 August 2023</u>	<u>31 August 2022</u>
Balance at the beginning of the year	3,539,722	4,019,683
Charged during the year	3,172,453	3,218,382
Adjust on the statement of profit or loss	23,059	(318,195)
Total charged to the statement of profit or loss	3,195,512	2,900,187
Paid during the year	(2,521,345)	(3,380,148)
Balance at the end of year	<u>4,213,889</u>	<u>3,539,722</u>

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19. 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:

	<u>31 August 2023</u>	<u>31 August 2022</u>
Service cost	6,049,690	4,843,000
Interest cost (note 28)	2,186,250	1,717,000
	<u>8,235,940</u>	<u>6,560,000</u>

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

	<u>31 August 2023</u>	<u>31 August 2022</u>
Balance at the beginning of the year	49,414,000	53,774,000
Additions from the acquisition (note 6)	6,803,000	-
Current service cost	6,049,690	4,843,000
Interest cost (note 28)	2,186,250	1,717,000
	<u>8,235,940</u>	<u>6,560,000</u>
Paid during the year	(1,651,337)	(8,689,327)
Transferred from / (to) Accrued expenses and other payables	206,040	(3,328,000)
Actuarial (gains) /losses recognized in the statement of comprehensive income	(3,989,643)	1,097,327
Balance at the end of the year	<u>59,018,000</u>	<u>49,414,000</u>

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

	<u>31 August 2023</u>	<u>31 August 2022</u>
Discount rate	4.60%	3.55%
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:

	<u>31 August 2023</u>		<u>31 August 2022</u>	
	Increase (1%)	Decrease (1%)	Increase (1%)	Decrease (1%)
Discount rate	55,009,000	63,745,000	49,053,000	57,147,000
Future salary increase rate	63,824,000	54,880,000	57,173,000	48,967,000

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.

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20. SHARE CAPITAL

The Company's share capital amounting to SR 430 million (2022: SR 430 million) divided into 43 million shares (2022: 43 million shares) with a nominal value of SR 10 each.

21. 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.

22. 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 distribution to the shareholders.

23. REVENUE

	<u>For the year ended</u>	
	<u>31 August 2023</u>	<u>31 August 2022</u>
Tuition fees	440,264,896	305,548,423
Sport clubs' revenue	3,254,369	2,297,571
Student transportation fees	2,973,868	685,000
	<u>446,493,133</u>	<u>308,530,994</u>

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

24. GOVERNMENT GRANTS AND SUBSIDIES

	<u>For the year ended</u>	
	<u>31 August 2023</u>	<u>31 August 2022</u>
Ministry of Human Resources support	12,307,009	6,523,673
Revenue from government subsidies for education	3,159,218	421,671
Realized revenue from government grants (note 14)	-	208,725
	<u>15,466,227</u>	<u>7,154,069</u>

25. COST OF REVENUE

	<u>For the year ended</u>	
	<u>31 August 2023</u>	<u>31 August 2022</u>
Salaries, wages and other employee benefits	182,592,770	130,045,420
Amortization and depreciation (note 7,8)	16,457,960	10,350,573
Printings, tools and consumables	16,326,926	9,442,560
Depreciation of right-of-use assets (note 9)	13,808,535	13,808,534
Government charges	8,961,040	7,768,315
Medical insurance	7,562,769	5,489,732
Hospitality and student activities	7,037,153	3,326,694
Water, electricity and communications	6,573,495	4,631,935
Maintenance and fuel	2,851,510	1,868,681
Others	3,874,254	2,446,748
	<u>266,046,412</u>	<u>189,179,192</u>

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26. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the year ended</u>	
	<u>31 August 2023</u>	<u>31 August 2022</u>
Salaries, wages and other employee benefits	42,332,884	26,779,907
Bank commissions	5,695,831	4,072,313
Government charges	2,995,273	1,737,841
Maintenance and technical support	2,418,725	1,279,453
Consulting and professional fees	2,106,090	1,198,892
Amortization of students list	2,003,233	1,717,970
Depreciation of the right of use assets (note 9)	1,871,739	-
Printings, tools and consumables	1,624,933	1,085,743
Medical insurance	1,491,735	1,127,579
Water, electricity and communications	1,285,191	1,116,903
Amortization and depreciation (note 7,8)	1,162,636	789,672
Hospitality and activities	1,006,846	385,345
Others	5,105,639	2,497,666
	<u>71,100,755</u>	<u>43,789,284</u>

27. OTHER INCOME

	<u>For the year ended</u>	
	<u>31 August 2023</u>	<u>31 August 2022</u>
Rent for food canteens	1,240,307	417,020
Other miscellaneous income	1,042,373	762,818
Gain from disposal of property and equipment	156,522	-
	<u>2,439,202</u>	<u>1,179,838</u>

28. FINANCE COSTS AND RETURNS, NET

	<u>For the year ended</u>	
	<u>31 August 2023</u>	<u>31 August 2022</u>
Interest on lease liabilities	6,671,960	4,404,683
Interest cost of employee's benefits	2,186,250	1,717,000
Finance costs for Islamic Murabaha	2,307,771	463,454
Finance costs for government grants	-	208,725
Short-term Islamic Murabaha returns	(1,958,764)	(569,315)
	<u>9,207,217</u>	<u>6,224,547</u>

29. 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.

	<u>31 August 2023</u>	<u>31 August 2022</u>
Net profit for the year	101,784,524	71,046,522
Weighted average number of shares	43,000,000	43,000,000
	<u>2.37</u>	<u>1.65</u>

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30. FINANCIAL ASSETS AND LIABILITIES

30.1 Financial asset

	<u>31 August 2023</u>	<u>31 August 2022</u>
<u>Financial assets at amortized cost:</u>		
Accounts receivable	22,200,577	22,705,762
Other receivables	5,737,240	4,124,807
Cash and cash equivalents	168,699,723	169,685,730
Total financial assets at amortized cost	196,637,540	196,516,299

30.2 Financial liabilities

	<u>31 August 2023</u>	<u>31 August 2022</u>
<u>Financial liabilities at amortized cost:</u>		
Islamic Murabaha	47,055,227	22,250,074
Lease liabilities on right-of-use assets	282,511,067	131,454,567
Accounts payable	3,846,520	2,194,153
Accrued expenses and other payables	15,525,492	13,148,549
Total financial liabilities at amortized cost	348,938,306	169,047,343
Current portion of financial liabilities	49,510,962	37,989,569
Non-current portion of financial liabilities	299,427,344	131,057,774
Total financial liabilities	348,938,306	169,047,343

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

31. COMMITMENTS

	<u>31 August 2023</u>	<u>31 August 2022</u>
Contractual commitments for suppliers	15,195,826	12,307,280
Capital commitments - projects in progress *	88,716,258	6,462,490
	103,912,084	18,769,770

* The Capital commitments are related to the projects under progress of the Group's complexes in Hetteen, Al- Natjis and Qurtubah for the completion of construction works of the educational complexes.

32. 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.

Currency risk

Currency risk is the risk that the value of financial instruments will change due to changes in foreign exchange rates. The Group's transactions are in Saudi Riyals. The Group is not subject to this risk.

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.

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.

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32. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group provides for receivables by applying the simplified approach to assess the expected credit losses. The provision of accounts receivable amounted to SR 19.47 million (31 August 2022: SR 13.95 million). The following table shows aging of the accounts receivable:

	<u>31 August 2023</u>	<u>31 August 2022</u>
Balances less than 1 year	21,965,425	17,876,363
Balances more than one year and less than two years	4,540,331	4,406,670
Balances more than 2 years and less than 3 years	2,281,024	3,549,180
Balances more than 3 years	12,887,528	10,830,474
Total	41,674,308	36,662,687
(Less) : Expected credit loss	(19,473,731)	(13,956,925)
Net accounts receivable	22,200,577	22,705,762

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.

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32. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Less than 1 year	Above 1-5 years	Above 5 years	Total contractual cash flows	Carrying value
As at 31 August 2023					
lease liability on right-of-use assets	16,335,000	182,784,065	231,196,340	430,315,405	282,511,067
Islamic Murabaha	17,649,048	35,081,349	-	52,730,397	47,055,227
Accounts payable	3,846,520	-	-	3,846,520	3,846,520
Accrued expenses and other payables	15,525,492	-	-	15,525,492	15,525,492
	53,356,060	217,865,414	231,196,340	502,417,814	348,938,306
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	11,626,526	11,160,321	-	22,786,847	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	76,940,321	77,844,500	196,854,049	169,047,343

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.

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.

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

	31 August 2023	31 August 2022
Islamic Murabaha	47,055,227	22,250,074
Less: cash and cash equivalents	(168,699,723)	(169,685,730)
Net debt	(121,644,496)	(147,435,656)
Total Equity	704,722,003	650,547,836
Net debt to equity ratio	(17%)	(%23)

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33. 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:

	<u>Nature of transactions</u>	<u>31 August 2023</u>	<u>31 August 2022</u>
Aja Trading and Contracting Company – (affiliate)	Contracting revenue	-	66,810
Specialized Buildings Company – (affiliate)	Supervision on projects in progress	-	74,690
Yamami Holding Company – (affiliate)	Building lease	7,950,000	7,950,000
		<u>31 August 2023</u>	<u>31 August 2022</u>
Due to related parties (within accrued expenses and other payables)			
Specialized Buildings Company		-	60,738
		-	60,738
Key management compensations			
		<u>31 August 2023</u>	<u>31 August 2022</u>
Salaries and other short-term benefits		6,371,667	4,126,485
End of services charged for the year		251,009	411,211
		6,622,676	4,537,696
Board of Directors' remuneration and related benefits			
		<u>31 August 2023</u>	<u>31 August 2022</u>
Board of directors' remunerations and benefits		1,866,423	888,600
		1,866,423	888,600

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34. 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 is 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
- Buraidah schools
- Al-Khwarizmi national schools
- Al-Ghad national schools
- Al-Qairwan schools
- Al-Aridh schools
- Dhahran schools
- Al-Salam national schools
- Others

As at and for the year ended 31 August 2023

	<u>Al-Rayan schools</u>	<u>Al-Rawabi schools</u>	<u>Al-Nuzha schools</u>	<u>Qurtubah schools</u>	<u>Buraidah schools</u>	<u>Al-Khwarizmi national schools</u>	<u>Al-Ghad national schools</u>	<u>Al-Qairwan schools</u>	<u>Al-Aridh schools</u>	<u>Dhahran schools</u>	<u>Al-Salam national schools</u>	<u>Others</u>	<u>Projects in progress</u>	<u>Elimination inter-company transactions</u>	<u>Total</u>
Revenues	72,540,540	74,792,192	66,591,527	17,765,487	22,715,513	18,475,422	33,992,589	66,217,940	42,855,812	8,403,106	22,143,005	7,725,282	-	(7,725,282)	446,493,133
Government grants and subsidies	2,494,987	1,584,169	1,588,399	1,152,941	1,481,225	260,403	1,060,326	2,633,038	2,295,546	427,243	487,950	-	-	-	15,466,227
Cost of revenue	(42,929,983)	(40,978,219)	(33,863,637)	(11,113,793)	(16,567,680)	(8,142,891)	(23,421,775)	(31,855,134)	(29,705,023)	(6,609,767)	(15,857,421)	(6,999,414)	-	1,998,325	(266,046,412)
Gross profit	32,105,544	35,398,142	34,316,289	7,804,635	7,629,058	10,592,934	11,631,140	36,995,844	15,446,335	2,220,582	6,773,534	725,868	-	(5,726,957)	195,912,948
Property and equipment	101,406,755	70,996,001	78,766,684	35,533,951	51,966,191	7,082,095	1,530,723	141,258,839	6,918,666	44,735,760	64,366,961	5,370,201	86,623,825	-	696,556,652
Depreciation	2,716,758	2,198,890	2,759,385	857,536	1,728,177	489,139	419,002	3,511,835	987,249	971,260	692,574	45,108	-	-	17,376,913

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34. SEGMENT REPORTING (CONTINUED)

As at and for the year ended 31 August 2022

	<u>Al-Rayan</u> <u>Schools</u>	<u>Al-Rawabi</u> <u>Schools</u>	<u>Al-Nuzha</u> <u>Schools</u>	<u>Qurtubah</u> <u>schools</u>	<u>Buraydah</u> <u>schools</u>	<u>Al Khwarizmi</u> <u>Schools</u>	<u>Al Ghad</u> <u>Schools</u>	<u>Al Qairwan</u> <u>schools</u>	<u>Al Aridh</u> <u>Schools</u>	<u>Others</u>	<u>Projects in</u> <u>progress</u>	<u>Elimination</u> <u>inter-company</u> <u>transactions</u>	<u>Total</u>
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	<u>(34,531,533)</u>	<u>(37,726,554)</u>	<u>(26,120,259)</u>	<u>(7,013,061)</u>	<u>(10,012,583)</u>	<u>(7,800,703)</u>	<u>(21,021,952)</u>	<u>(21,219,335)</u>	<u>(19,039,308)</u>	<u>(6,788,569)</u>	-	2,094,665	<u>(189,179,192)</u>
Gross profit	<u>24,372,961</u>	<u>28,784,425</u>	<u>27,252,186</u>	<u>4,000,107</u>	<u>2,384,644</u>	<u>9,675,967</u>	<u>10,843,839</u>	<u>21,425,671</u>	<u>2,459,975</u>	<u>651,369</u>	-	<u>(5,345,273)</u>	<u>126,505,871</u>
Property and equipment Depreciation	<u>95,122,663</u>	<u>67,236,118</u>	<u>79,103,472</u>	<u>33,375,778</u>	<u>52,352,424</u>	<u>7,309,362</u>	<u>1,646,704</u>	<u>102,160,372</u>	<u>3,702,905</u>	<u>9,496</u>	<u>119,387,619</u>	-	<u>561,406,913</u>
Revenues	<u>1,667,477</u>	<u>1,565,163</u>	<u>2,232,262</u>	<u>679,636</u>	<u>1,531,365</u>	<u>534,518</u>	<u>382,623</u>	<u>2,052,972</u>	<u>393,827</u>	<u>1,824</u>	-	-	<u>11,041,667</u>

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.

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34. SEGMENT REPORTING (CONTINUED)

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

	<u>31 August 2023</u>	31 August 2022
Gross profit from sectors	<u>195,912,948</u>	<u>126,505,871</u>
Other income	2,439,202	1,179,838
General and administrative expenses	(71,100,755)	(43,789,284)
Marketing and advertising expenses	(8,864,142)	(4,551,078)
(Losses) / reversal of expected credit loss in account receivables	(4,200,000)	825,909
Finance costs and returns, net	<u>(9,207,217)</u>	<u>(6,224,547)</u>
Total unallocated amount	<u>(90,932,912)</u>	<u>(52,559,162)</u>
Net income for the year before Zakat	<u>104,980,036</u>	<u>73,946,709</u>

35. DIVIDENDS

During the financial year ending on 31 August 2023, the Ordinary General Assembly, held on 28 December 2022 approved the distribution of dividends to shareholders amounting to 51.6 million Saudi riyals at 1.2 riyals per share.

During the financial year ending on 31 August 2022, the Ordinary General Assembly, held on 9 January 2022 approved the distribution of dividends to shareholders amounting to 34.4 million Saudi riyals at 0.80 riyals per share.

36. COMPARATIVE FIGURES

Some comparative year figures have been reclassified to conform to the current year's presentation of consolidated financial statement. The reclassification had no impact on the group's net assets.

The Group has reclassified some items of current and non-current assets shown below:

	The balance is as shown <u>31 August 2022</u>	<u>Reclassification</u>	<u>Balance after Reclassification</u>
Advance to suppliers – non current assets	-	13,160,896	13,160,896
Prepayments and other receivables	<u>39,586,754</u>	<u>(13,160,896)</u>	<u>26,425,858</u>
	<u>39,586,754</u>	<u>-</u>	<u>39,586,754</u>

37. 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.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved for and authorized for issuance by the Board of Directors on 12 Jumada Al-Awwal 1445 corresponding to 26 November 2023.