

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

**AUDITOR'S REPORT
AND THE SEPARATE FINANCIAL
STATEMENTS FOR THE YEAR ENDED
31 AUGUST 2023**

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Separate financial statements - For the year ended 31 August 2023

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Auditor's report

To the shareholders of Taaleem Management Services Company S.A.E.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Taaleem Management Services Company S.A.E (the "Company"), which comprise the separate statement of financial position as at 31 August 2023 and the separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other notes.

Management's responsibility for the separate financial statements

These separate financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing Egyptian laws and regulations. Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the separate financial statements that are free from material misstatement, whether due to fraud or error. Management's responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the separate financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these separate financial statements.



Auditor's report

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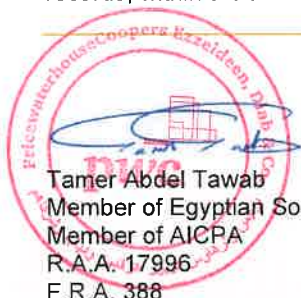
Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Taaleem Management Services Company S.A.E. as at 31 August 2023, and its financial performance and cash flows for the financial year then ended in accordance with Egyptian Accounting Standards and in light of related Egyptian laws and regulations.

Report on other legal and regulatory requirements

The Company maintains proper financial records, which includes all that is required by the law and the Company's statutes, and the accompanying separate financial statements are in agreement therewith.

The financial information included in the Board of Directors' report which is prepared in accordance with law No. 159 of 1981 and its executive regulations, is in agreement with Company's accounting records, within the limits that such information recorded therein.



Tamer Abdel Tawab
Member of Egyptian Society of Accountants & Auditors
Member of AICPA
R.A.A. 17996
F.R.A. 388

26 October 2023
Cairo


TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Separate statement of financial position - At 31 August 2023

(All amounts are shown in Egyptian Pounds)

	Note	2023	2022
Assets			
Non-current assets			
Fixed assets	5	5,370,722	7,504,577
Investment in subsidiaries	6	847,513,442	742,325,964
Investment in associates	7	294,312,258	-
Right of use assets – leases	11	14,954,499	17,758,467
Deferred tax assets	14	1,494,818	-
Total non-current assets		1,163,645,739	767,589,008
Current assets			
Trade receivables and other debit balances	8	12,181,961	52,324,207
Due from related parties	9	8,043,216	56,346,625
Cash and bank balances	10	1,718,506	257,542
Total current assets		21,943,683	108,928,374
Total assets		1,185,589,422	876,517,382
Equity and liabilities			
Equity			
Paid up capital	12	730,250,000	730,250,000
Legal reserve	13	10,623,911	3,020,225
Retained Earnings		145,262,661	93,397,100
Total equity		886,136,572	826,667,325
Liabilities			
Non-current liabilities			
Deferred tax liabilities	14	-	101,448
Lease liabilities	15	17,542,115	18,402,636
Total non-current liabilities		17,542,115	18,504,084
Current liabilities			
Trade and other payables	16	5,682,881	4,822,438
Lease liabilities	15	2,028,158	2,381,913
Due to related parties	9	251,948,770	-
Current income tax liability	17	22,250,926	24,141,622
Total current liabilities		281,910,735	31,345,973
Total liabilities		299,452,850	49,850,057
Total equity and liabilities		1,185,589,422	876,517,382

- The accompanying notes on pages 8 - 34 form an integral part of these separate financial statements.
- Auditor's report attached.


Mr. Khaled Khater
Chief Financial Officer


Eng. Mohamed El Rashidi
Chief Executive Officer

26 October 2023

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Separate statement of profit or loss- For the year ended 31 August 2023

(All amounts are shown in Egyptian Pounds)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Management fees		149,365,632	149,365,632
Salaries		(27,465,486)	(19,259,228)
Board remuneration		(7,440,000)	(5,500,000)
Professional fees		(21,219,915)	(9,673,877)
Employee stock ownership plan expense	13	(3,741,722)	-
Other expenses	18	(6,302,599)	(6,956,667)
Right of use assets depreciation	11	(2,803,968)	(2,803,969)
Depreciation expense	5	(3,130,414)	(1,287,038)
Comprehensive medical expense		(406,924)	(373,490)
Rent expense		(56,940)	(160,800)
Finance income/(cost) - net	19	11,559,197	(1,836,365)
Other income		122,000	30,000
Profit before tax		88,478,861	101,544,198
Income tax expense	20	(22,598,011)	(24,234,579)
Deferred tax income/(expense)	20	1,596,266	(70,338)
Profit for the year		67,477,116	77,239,281
Earnings per share	21	0.083	0.095

- The accompanying notes on pages 8 - 34 form an integral part of these separate financial statements.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Separate statement of comprehensive income - For the year ended 31 August 2023

(All amounts are shown in Egyptian Pounds)

	<u>2023</u>	<u>2022</u>
Profit for the year	67,477,116	77,239,281
Other comprehensive income	-	-
Total comprehensive income for the year	<u>67,477,116</u>	<u>77,239,281</u>

- The accompanying notes on pages 8 - 34 form an integral part of these separate financial statements.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Separate statement of changes in equity- For the year ended 31 August 2023

(All amounts are shown in Egyptian Pounds)

	Note	Paid up capital	Reserves	Retained earnings	Total
Balance as at 31 August 2021		730,250,000	1,495,196	31,080,326	762,825,522
Impact of implementation of new standards		-	-	(726,676)	(726,676)
Balance at 1 September 2021		730,250,000	1,495,196	30,353,650	762,098,846
Transfer to legal reserve	13	-	1,525,029	(1,525,029)	-
Profit share distribution to employees		-	-	(12,670,802)	(12,670,802)
Total comprehensive income for the year		-	-	77,239,281	77,239,281
Balance at 31 August 2022		730,250,000	3,020,225	93,397,100	826,667,325
Balance at 1 September 2022		730,250,000	3,020,225	93,397,100	826,667,325
Transfer to legal reserve	13	-	3,861,964	(3,861,964)	-
Employee stock ownership plan	13	-	3,741,722	-	3,741,722
Profit share distribution to employees		-	-	(11,749,591)	(11,749,591)
Total comprehensive income for the year		-	-	67,477,116	67,477,116
Balance at 31 August 2023		730,250,000	10,623,911	145,262,661	886,136,572

- The accompanying notes on pages 8 - 34 form an integral part of these separate financial statements.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Separate statement of cash flows- For the year ended 31 August 2023

(All amounts are shown in Egyptian Pounds)

	Note	2023	2022
Cash flows from operating activities			
Profit for the year before tax		88,478,861	101,544,198
Adjustments For:			
Fixed assets depreciation	5	3,130,414	1,287,038
Right of use assets depreciation	11	2,803,968	2,803,969
Interest income	18	(13,650,818)	(180,839)
Lease interest expense	15	2,092,383	2,017,462
Employee stock ownership plan expense	13	3,741,722	-
Operating profit before changes in operating assets and liabilities		86,596,530	107,471,828
Changes in operating assets and liabilities			
Trade and other receivables	8	(4,857,754)	2,770,428
Due from related parties	9	48,303,409	(48,364,217)
Due to related parties	9	251,948,770	(29,394,235)
Trade and other payables	16	860,443	(3,229,521)
Income tax paid	17	(24,488,707)	(10,698,457)
Net cash flows generated from operating activities		358,362,691	18,555,826
Cash flows from investing activities			
Payments to purchase fixed assets	5	(996,559)	(6,788,360)
Proceeds from interest income	19	13,650,818	180,839
Payment for investment in subsidiaries	6	(60,187,478)	-
Payment for investment in associates	7	(294,312,258)	-
Net cash flows used in investing activities		(341,845,477)	(6,607,521)
Cash flows from financing activities			
Dividends distribution to employees		(11,749,591)	(12,670,802)
Lease liability payments	15	(3,306,659)	-
Net cash flows used in financing activities		(15,056,250)	(12,670,802)
Net change in cash and cash equivalents		1,460,964	(722,497)
Cash and cash equivalents at the beginning of the year		257,542	980,039
Cash and cash equivalents at the end of the year	10	1,718,506	257,542

- The accompanying notes on pages 8 - 34 form an integral part of these separate financial statements.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

1. Introduction

Taaleem Management Services Company S.A.E (the "Company") was established on 8 September 2014 in accordance with Law No.159 of 1981 and its executive regulations under the name of Bisco Investment Company, which was changed on 3 July 2016 to be Taaleem Management Services Company S.A.E. The Company was registered in the commercial register under No. 96337. The Company's term is 25 years from the date it is registered in the commercial register.

The Company's head office is located at unit number (N3-01), third floor, Neptune building, number (2), Plot number 12, Crazy water axis, Sheikh Zayed.

The purpose of the Company is general trade, facilities and institutions services (management, operational, operational lease as a lessee or lessor, planning, marketing, facilities management), human resources management and training, quality assurance management, conferences and events management, general and educational consultancy services (except consultancy and advisory services in relation to stock exchanges, legal, capital increase & acquisition valuation, and capital market advisory listed under article 27 of capital market law and its executive regulations), private universities establishment and management, educational institutions management under law no. 12/2009, the company is allowed to acquire, merge, or partner with other companies to carry its purpose.

On 22 September 2019, EgyEdu Invest B.V a shareholding company incorporated in the Netherlands (intermediary parent) acquired 60% of the shares of "Sphinx Obelisk" the parent of Taaleem Management Services, which is considered the leading management service provider for private higher education in Egypt that operates and controls the "Nahda University" in Bani Suif.

The company's shares were listed on the Egyptian Stock Exchange on April 7, 2021, and the ownership structure changed. Sphinx Obelisk owned 52% after listing.

Sphinx Obelisk (the former direct parent company) of Taaleem Management Services has sold its entire share to its shareholders, and currently the largest shareholder in Taaleem Management Services is (Thebes CV) owning 21% of the company's capital.

The separate financial statements were approved by the Board of Directors on 26 October 2023 and the general assembly of shareholders has the right to amend these separate financial statements after their issuance.

2. Accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are summarized below. They were applied consistently over the presented financial periods unless otherwise stated:

2.1 Basis of preparation of the separate financial statements

These separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and the relevant laws, and on the basis of the historical cost convention.

The EASs require the reference to the International Financial Reporting Standards (IFRS) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.1 Basis of preparation of the separate financial statements (continued)

The preparation of the separate financial statements in conformity with EASs requires the use of certain critical accounting estimates. It also requires the Company's management to exercise its judgment in the process of applying the Company's accounting policies. Note (4) describes the significant accounting estimations and assumptions of these separate financial statements, as well as significant judgments used by the Company's management when applying the Company's accounting policies.

The Company has prepared the consolidated financial statements of the Company under the Egyptian Accounting Standards. The consolidated financial statements are available from the Company's management and issued and approved by the board of directors on 26 October 2023. Investments in subsidiaries are presented in these separate financial statements and accounted for at cost method.

2.2 Foreign currency transaction

(a) Functional and presentation currency

Items included in the separate financial statements of each of the company's entities are measured and presented using the currency of the primary economic environment in which the Company operates "the functional currency". The separate financial statements are presented in Egyptian Pounds, which is the Company's presentation currency.

(b) Transactions and balances

Transactions made in foreign currency during the period are initially recognised in the functional currency of the Company on the basis of translation of foreign currency using the spot prevailing exchange rates between the functional currency and the foreign currency at the date of the transaction, and the monetary items denominated in foreign currency are also translated using the closing rates at the end of each financial period. Foreign exchange gains and losses resulting from the settlement of such monetary items and from the translation of monetary items denominated in foreign currencies are recognised by the Company in the profit and loss in the period in which these differences arise.

Translation differences on non-monetary financial assets and liabilities that are measured by fair value are recognised as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised as profit or loss as part of fair value gain or loss. For available for sale financial assets, which do not represent monetary items (e.g. equity instruments), gains or losses recognised within other comprehensive income.

2.3 Fixed assets

The Company applies the cost model for measurement of fixed assets, and the fixed assets are carried at their costs net of accumulated depreciation and accumulated impairment losses. The cost of fixed asset includes any costs directly associated with bringing the asset to a working condition for its use intended by the management of the Company.

The Company recognises subsequent costs of the acquisition of fixed asset as a separate asset, only when it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably. The Company recognises in the carrying value of fixed asset the cost incurred to replace part of that asset at the date such costs are borne, and the carrying amount of replaced parts are derecognised. The Company recognises the costs of daily servicing of the fixed assets in the statement of profit or loss.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.3 Fixed assets (continued)

The straight line method is used to allocate the depreciation of fixed assets consistently to their residual values over their estimated useful lives, except for lands, which are characterised with unlimited estimated useful life. Below are the estimated useful lives of each type of the assets:

Vehicles	4 – 5 years
Electrical devices	4 years
Furniture and office equipment	4 years
Computers	4 years

The Company reviews the residual value of fixed assets and estimated useful lives of fixed assets at the end of each fiscal year and adjusted when expectations differ from previous estimates.

The carrying amount of the fixed asset is reduced to the recoverable amount, if the recoverable amount of an asset is less than its carrying amount. This reduction is considered as a loss resulting from impairment and is recognized in the statement of profit or loss.

Gains or losses on the disposal of an item of fixed assets from the books are determined based on the difference between the net proceeds from the disposal of the item and the book value of the item, and the gain or loss resulting from the disposal of fixed assets is included in the statement of profit or loss "Other expenses - income".

2.4 Investment in subsidiaries and associates

(i) Investments in subsidiaries:

Investments in subsidiaries are accounted for in the separate financial statements by using the cost method of accounting. The Cost method require recognition of investment at cost and recording of investment income to the extent of dividends distribution received from investee. The subsidiaries are entities controlled by the Company, a subsidiary is separate when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(ii) Investments in associates:

Investments in associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.4 Investment in subsidiaries and associates (continued)

Unrealised gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence is clearly demonstrated.

A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.5 Financial assets

(a) Classification

The company classifies financial assets in the following measurement categories:

- assets measured at fair value (either through other comprehensive income or through profit or loss); or
- asset measured at amortized cost. Financial assets at amortized cost consists of accounts receivables, other debit balances and treasury bills.

The classification depends on the company's business model for managing the related assets portfolio and the cash flow characteristics of the asset.

As for the financial assets measured at fair value, the profits or losses will be recorded in the separate profit or loss statement or the separate other comprehensive income statement. As for the investments in equity instruments not held for trading, it depends on whether the company has made an irrevocable election at initial recognition to measure the equity investment at fair value through other comprehensive income.

(b) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.5 Financial assets (continued)

(c) Subsequent measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(d) Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the related assets portfolio and the cash flow characteristics of the asset. There are three measurement categories in which the company's debt instruments are classified:

- Amortized Cost: Assets held solely to collect the contractual cash flows from the assets; as these cash flows only represents payments of principal and interest is measured at amortized cost. Interest income from these financial assets is presented in Finance income using the effective interest method. Any profit or loss resulting from the derecognition of these financial assets is presented in the separate profit or loss statements as other income/loss in addition to the foreign exchange gains or losses as other income/loss. Impairment expense is presented as a separate line item in the statement of profit or loss.
- Fair value through other comprehensive income: Assets held to collect both the contractual cash flows and the cash flows arising from the sale of assets; as these cash flows only represents payments of principal and interest at fair value through other comprehensive income.
- Movements in the carrying amount are presented through the separate statement of other comprehensive income, with the exception of recognizing impairment gains or losses, interest income and foreign exchange gains and losses recognized in the separate statement of profit or loss.
- On the financial asset derecognition, retained earnings/losses -previously recognized in the separate statement of other comprehensive income- from the statement of equity to the separate statement of profit or losses and recognized in other income/(loss). Interest income from these financial assets is included in financing income using the effective interest method. Foreign exchange gains and losses are presented in other income/(loss) and impairment expense is presented as a separate line item in the statement of profit or loss.
- Fair value through profit or loss: Assets not meeting the criteria if amortized cost or fair value through other comprehensive income is measured at fair value through profit or loss. The income or loss from debt instrument that is subsequently measured at fair value through profit or loss in the separate statement of profit or loss (net) included in the other income/loss during the period it was originated in.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.6 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortized cost.

As permitted by EAS 47, the Company applies the simplified approach for ECL on trade receivables and due from related parties. The Company uses a provision matrix in the calculation of the ECL on trade receivables and due from related parties to estimate the lifetime expected credit losses, applying certain provision rates to respective aging buckets.

Expected loss rates are determined using the historical propensity for the receivables to become uncollectible and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables.

Cash and bank balances are also subject to the impairment requirements of EAS 47; however, the identified impairment loss was immaterial.

Financial assets are written off when all of the following conditions are met:

- i. the receivable is at least one year past due,
- ii. the Company has attempted to recover and engaged in all relevant legal enforcement activities,
- iii. it is concluded that there is no reasonable expectation of recovery, and
- iv. the write-off is approved by the management.

Recoveries made are recognized in the separate statement of comprehensive income.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.8 Trade receivables and other debit balances

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

The carrying amount of the asset is reduced through the use of an impairment account, and the amount of the loss is recognised in the statement of profit or loss when a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.9 Cash and cash equivalents

In the separate financial statement of cash flows, "cash and cash equivalents" includes cash in hand and with banks and deposits with maturities less than 3 months from the date of placement and treasury bills that are less than 3 months.

2.10 Capital

Ordinary shares are classified within equity.

2.11 Leases

The Company rents buildings as a lessee; which are used in the Company's operations. The contract terms vary from one year to five years, and they don't include any non-lease components.

Until 31 August 2021, lease contracts were all recognized as operating leases. From 1 September 2021, these contracts are recognized in accordance with EAS No. (49) "Lease contracts". As such, the Company has recognized right of use assets and lease obligations related to these contracts.

Initial measurement (Right of use assets):

Management calculates the initial measurement amount of the lease obligation, at the present value of the unpaid lease payments on that date. Lease payments are discounted using the implicit interest rate in the lease if that rate can be determined easily. If it is not possible to determine that rate, the Company must use the incremental borrowing rate at the date of application. The right of use asset is initially measured at the following:

- (A) Initial measurement amount for lease liabilities,
- (B) any lease payments made on or before the start date of the lease, minus any lease incentives received,
- (C) any initial direct costs incurred by the lessee,

An estimate of the costs that the Company will incur in dismantling and removing the underlying asset, and returning the location in which the asset is located to the original state or returning the asset to its required condition in accordance with the terms and conditions of the lease. The lessee incurs obligations for those costs, whether on the date of the start of the lease or as a result of using the underlying asset during a specific period.

Subsequent measurement (Right of use assets):

After the date of commencement of the lease, the "Right of use assets" principle is measured at cost:

- (A) minus any accumulated depreciation and any accumulated impairment losses,
- (B) Show Modified by any re- measurement of the lease obligation.

Initial measurement (Lease liabilities):

On the date of the start of the lease, the commitment of the lease is measured at the present value of the unpaid lease payments on that date. Lease payments are discounted using the implicit interest rate in the lease if that rate can be determined easily. If that rate cannot be easily determined, the Company must use the incremental borrowing rate.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.11 Leases (continued)

Subsequent measurement (Lease liabilities):

After the start date of the lease, the following may be done as part of remeasurement:

- (A) Increase the carrying amount of the obligation to reflect interest on the commitment of the lease.
- (B) Decrease the carrying amount of the obligation to reflect the lease payments,
- (C) to re-measure the carrying amount of the obligation to reflect any revaluation or adjustments to the lease or to reflect the fixed lease payments in their modified substance.

2.12 Employees' benefits

Profit-sharing

According to Companies law, employees are entitled to profit-sharing equivalent to 10% of the value of cash dividends, not exceeding the total wages at the end of the fiscal year, according to the proposals made by the company's board of directors and subject to approval by the general assembly of shareholders. Profit sharing is recognised as a dividend distribution through equity and as a liability when approved by the Company's shareholders.

Defined contribution plan

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law No. 79 for the year 1975 and its amendments. The subsidiary's liability is confined to the amount of its contribution. Contributions are charged to the statement of profit and loss using the accrual basis of accounting.

Employees Share Ownership Plan

Taaleem Management Services Company promises to sell shares to the company's selected employees in accordance with the criteria, principles and rules that are set by the supervisory committee to implement the plan. The main aim of the scheme is to link the interests of the beneficiaries of the scheme with the interests of the Company shareholders and to ensure that highly qualified participants receive the appropriate incentive to support the growth and stability of the Company.

The company's supervisory committee supervises the implementation of the system under the supervision of the company's board of directors.

Elements of the scheme:

- (a) Each beneficiary is granted units that are considered the basis on which allocated shares are calculated.
- (b) The supervisory committee determines the date of the grant.
- (c) The scheme period is seven years starting from the date of listing of the company's shares on the Egyptian Stock Exchange on April 7, 2021.
- (d) The total shares allocated to each beneficiary shall be allocated over five years with each year grant calculated based on the following formula:

The difference between the share price at the beginning of the year (the first trading of the company's shares on the Egyptian Stock Exchange, which was 5.75 Egyptian Pounds for the first allocation) and the share price upon the exercise of the right by the end of the year. Then, the difference is multiplied by the number of units allocated to each participant to calculate the grant. The monetary allocation shall be then divided into three equal values, and exercised over three consecutive years through the ownership of shares at the share market price at the time of each exercise.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.12 Employees' benefits (continued)

- (a) Starting from April 2021, the number of units allocated to the scheme were 83,978,750 units to be allocated over five years for 16,795,750 units per year, with no vesting to employees under the program to date.
- (b) The company recognizes the cost related to the services performed by the employees participating in the scheme over the period of performing the service. The company recognizes the obligations related to the scheme at the date of each financial position according to the fair value of the consideration expected to be paid to employees on the date of grant. The fair value of these obligations is estimated at the date of the financial position by taking into consideration all the circumstances related to the cash flows expected to be paid, discounted at the market rate of return.

The change in the fair value of these obligations is recognized in the separate statement of profit or loss.

During the period, the total employee stock ownership plan expenses charged to the separate statement of profit or loss amounted EGP 3,741,722 (2022: Nil)

2.13 Segments reporting

Business segments are reported in accordance with internally submitted reports to senior management which makes decisions on the resources allocation and performance assessment of the Company's segments, and are represented to the central management committee. The Company has one business segment which provides educational services to the university's students and all its operations are in Egypt.

2.14 Current and deferred income tax

The company recognises the current and deferred tax in the profit or loss for the year. Current and deferred tax is recognised in other comprehensive income or directly in equity if it is related to items recognised - in the same period or different periods- in the statement of comprehensive income or directly in equity.

The income tax for the year is calculated on the basis of the tax laws enacted at the statement of financial position date. Management annually evaluates tax situation through tax returns, taking into account the differences that may arise from some interpretations issued by administrative or regulatory authorities, and establishes the appropriate provisions on the basis of amounts expected to be paid to the tax authority.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements.

Deferred tax is determined using tax rates and laws that have been enacted at the date of the separate financial statements and are expected to apply when the related deferred income tax asset is used, or the deferred tax liability is settled.

The deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction - other than a business combination - that at the time of the transaction affects neither accounting nor taxable profit or loss.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.14 Current and deferred income tax (continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised on temporary differences arising from investments in subsidiaries, associates and shares in joint arrangements, except for such cases where the timing of the settlement of the temporary difference is controlled by the Company and it is probable that the temporary differences will not be settled in the foreseeable future. Generally, the Company is unable to control the settlement of the temporary difference for associates, only where there is an agreement in place that gives the Company the ability to control the settlement of the temporary difference.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and equity shares in joint ventures only to the extent that it is probable the temporary differences will be settled in the future and there is future taxable profit available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current taxable liabilities and assets on a net basis.

2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and amended to show the best present estimate. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the pre-tax rate expenditures expected to be required to settle the obligation.

2.16 Trade payables

Trade payables are recognised initially at the amount of goods or services received from others, whether the invoices received or not. When they are material, goods and services received, as well as the trade payables are recognised at the present value of the cash outflow expected by using the interest rate of similar term loans. Trade payables are then carried at amortised cost using the effective interest rate.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.17 Revenue recognition

According to the Egyptian Accounting Standard No. 48 – "Revenue from contracts with customers", revenue recognition consists of five steps (Identify the contract - Identify performance obligations - Determine the transaction price - Allocate the transaction price - Recognize revenue).

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or service rendered due to the Company's normal course of business, stated net of value-added taxes, discounts, or deductions. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Company; and when specific criteria have been met for each of the Company's activities, as described below. The amount of revenue is not considered accurately measurable unless all cases of uncertainty regarding the possibility of the collection of the amount due are excluded. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the related specifics arrangement.

- Management fees

Revenue from management fees is recognized overtime throughout the period of rendering the services.

- Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

- Dividend income

Dividend income is recognised when the right to receive the payment is established.

2.18 Fair value estimation

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. The fair value measurement is based on the presumption that the transaction to sell the asset or pay the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, the most advantageous market for the asset or the liability.

The Company should be able to have access to the principal market or the most advantageous market.

The fair value of the asset or liability is measured using the assumptions that market participants may use when pricing the asset or liability, assuming that market participants behave in their own economic interests.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and bestselling condition or to sell to another market participant who will use the asset in its best use.

The Company uses valuation techniques that are appropriate in the circumstances and where sufficient data are available to measure the fair value, increase the use of relevant observable inputs and minimize the use of inputs that are not observable.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2. Accounting policies (continued)

2.19 Dividends

Dividends are recognised as liabilities in the separate financial statements upon the approval of the Company's General Assembly of Shareholders. The company is obligated to deduct 10% of the dividend tax from the shareholders' share and pay it within one month from the date of the approval of the ordinary general assembly for dividends.

3. Financial risk management

3.1 Financial risks factors

The Company's activities expose it to a variety of financial risks. These risks include market risks (including foreign currency exchange rate risk, cash flow, interest rate risk, and fair value), credit risk, and liquidity risk. The Company is not exposed to price risk as it doesn't have investments measured at fair value.

The Company's management aims to minimise the potential adverse effects on the Company's financial performance. The Company does not use any derivative financial instruments to hedge specific risks.

(a) Market risk

(1) Foreign currency exchange rate risk

Foreign currency exchange rates risk is the risk of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates.

At the end of the year, the Company does not have any material monetary assets and liabilities in foreign currency.

(2) Cash flows and fair value interest rate risks

The Company's main interest rate risk arises from time deposits and treasury bills at fixed rates subject to change in renewal, which expose the Company to fair value risk. The risk is mitigated through the short-term nature of assets and that they are frequently repriced. Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates if the interest rate increased/decreased by 100 bps points (holding all other variables constant), the impact on profit for the year ended 31 August 2023 (31 August 2022) is not material.

(b) Credit risk.

Credit risk arises from cash and bank balances and due from related parties.

Cash and bank balances is placed with local banks that are subject to the supervision of the Central Bank of Egypt. Accordingly, the parent Company's management believes that credit risk resulting from the cash at banks is not material.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.**Notes to the separate financial statements - For the year ended 31 August 2023**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

3. Financial risk management (continued)**3.1 Financial risks factors (continued)****(b) Credit risk. (continued)**

Balances exposed to credit risks are as follows:

	2023	2022
Cash at banks	1,718,506	257,542
Due from related parties	8,043,216	56,346,625
	9,761,722	56,604,167

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, due to shortage of funding. The company's exposure to liquidity risk results primarily from the lack of offset between the maturities of assets and liabilities.

The management makes cash flow projections on periodic basis, and takes the necessary actions to negotiate with suppliers, and manage the current assets in order to ensure sufficient cash is maintained to discharge the Company's liabilities.

The Company's management monitors liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs to be able to maintain financial terms, guarantees and covenants at all times. Balances due to suppliers are normally settled within 45 days from the date of purchase.

The table below summarises the maturities of the Company's undiscounted financial liabilities (excluding income tax liabilities), based on contractual payment dates and current market interest rates.

	Less than 6 months	From 6 months to 1 year	From 1 year to 5 years	Above 5 years	Total
31 August 2023					
Due to related parties	251,948,770	-	-	-	251,948,770
Trade and other payables	5,682,881	-	-	-	5,682,881
Lease liabilities	1,911,135	2,034,433	22,128,262	-	26,073,830
Total	259,542,786	2,034,433	22,128,262	-	283,705,481
31 August 2022					
Trade and other payables	4,822,438	-	-	-	4,822,438
Lease liabilities	1,653,328	1,653,328	24,088,086	1,985,743	29,380,485
Total	6,475,766	1,653,328	24,088,086	1,985,743	34,202,923

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

3. Financial risk management (continued)

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders using the separate financial statements. The Company also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the Company's debts. The Company's management monitors the capital structure using the ratio of net debt to total capital. Net debt is the total of the due to related parties, trade and other payables less cash on hand and at banks. The total capital is the Company's total equity as described in the statement of financial position plus net debt.

Net debt to total capital ratio is as follows:

	31 August 2023	31 August 2022
Total liabilities		
Due to related parties	251,948,770	-
Trade and other payables	5,682,881	4,822,438
Lease liabilities	19,570,273	20,784,549
Current income tax	22,250,926	24,141,622
Less: Cash and bank balances	(1,718,506)	(257,542)
Net debt	297,734,344	49,491,067
Equity	886,136,572	826,667,325
Total capital	1,183,870,916	876,158,392
Gearing ratio	25%	6%

3.3 Fair value estimation

At year-end, no financial assets or liabilities were measured at fair value. The carrying value of financial assets and financial liabilities classified as current assets or current liabilities in the statement of financial position at year-end approximates its fair value due to their shorter maturities.

4. Critical accounting estimates and judgment

Critical accounting estimates and assumptions

Estimates and assumptions are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period/ year are addressed below. In general, applying the Company's accounting policies does not require management to use professional judgments that may have significant impacts on the amounts recognised in the separate financial statements.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

4. Critical accounting estimates and judgment (continued)

Estimation of useful lives for fixed assets

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and the estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Impairment of financial assets:

Expected credit losses for financial assets are based on assumptions about the risk of default and expected loss rates. The Company uses a range of significant judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history and current market conditions as well as future estimates at the end of each reporting period. Expected loss rates are based on historical credit losses and historical loss rates are adjusted to reflect current and future information about macroeconomic factors that affect customers' ability to settle receivables. The Company has determined GDP and therefore adjusts historical loss rates based on expected changes in these factors.

Sensitivity:

Reasonable changes in the inputs/assumptions would not materially change the impairment of the expected credit loss recognized in the financial statements.

Depreciation of right-of-use assets:

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

5. Fixed assets

	Vehicles	Electrical devices	Furniture & office equipment	Computers	Total
At 31 August 2022					
Opening net book amount	1,374,585	37,909	175,146	415,615	2,003,255
Additions	-	14,500	6,726,642	47,218	6,788,360
Depreciation charge	(553,750)	(27,739)	(538,994)	(166,555)	(1,287,038)
Net book amount at 31 August 2022	820,835	24,670	6,362,794	296,278	7,504,577
At 31 August 2023					
Cost	2,870,800	421,497	7,423,989	1,297,805	12,014,091
Accumulated depreciation	(2,049,965)	(396,827)	(1,061,195)	(1,001,527)	(4,509,514)
Net book amount at 31 August 2022	820,835	24,670	6,362,794	296,278	7,504,577
At 31 August 2023					
Opening net book amount	820,835	24,670	6,362,794	296,278	7,504,577
Additions	-	15,960	634,264	346,335	996,559
Depreciation charge	(553,750)	(15,603)	(2,269,847)	(291,214)	(3,130,414)
Net book amount at 31 August 2023	267,085	25,027	4,727,211	351,399	5,370,722
At 31 August 2023					
Cost	2,870,800	437,457	8,058,253	1,644,140	13,010,650
Accumulated depreciation	(2,603,715)	(412,430)	(3,331,042)	(1,292,741)	(7,639,928)
Net book amount at 31 August 2023	267,085	25,027	4,727,211	351,399	5,370,722

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

6. Investment in subsidiaries

Company	Country of incorporation	Share %	31 August 2023	31 August 2022
Nahda University LP & Nahda University	Egypt	98.9%	730,263,464	730,263,464
Nahda University for Education and Management Services Company S.A.E.	Egypt	99.9%	249,978	62,500
Nahda Education Services S.A.E.	Egypt	99.99%	12,000,000	12,000,000
Egyptian International Higher Education S.A.E	Egypt	60%	105,000,000	-
			<u>847,513,442</u>	<u>742,325,964</u>

Nahda Education Services S.A.E. Nahda University LP and Nahda University

In 2006, a presidential decree was issued granting the right to a group of founders (the predecessor founders) to establish Nahda University "The University".

On 6 September 2015, Taaleem Management Services Company S.A.E. acquired one share in Nahda Education Services Company S.A.E. for a nominal amount to enable it to subscribe in the Nahda Education Services Company S.A.E, share capital increase from EGP 250,000 to EGP 10 Million. The Company general meeting approved the share capital increase on 10 September 2015. Taaleem Management Services Company S.A.E was the sole subscriber to the Nahda Education Services S.A.E. capital increase (only 25% of the share capital increase was required to be paid).

On 9 September 2015, the predecessor ultimate parent paid 730,263,464 Egyptian Pounds and entered into an investment agreement to acquire 97.72% of Nahda University founder share and 100% of Nahda Education Service S.A.E. which in turn own 98.73% of Nahda LP. On 10 September 2015, Nahda Education Services Company S.A.E. entered into an assignment agreement with the University's founders whereby they have contractually passed to Nahda Education Services Company S.A.E. all of their beneficial rights in the University. Subsequently; during 2019 a presidential decree issued to transfer 97.72% of the university's predecessor founders' rights to Nahda University for Education and Management Services Company S.A.E (the New Founder).

On 10 September 2015, Taaleem Management Services Company S.A.E. entered into a management agreement with Nahda University, which was subsequently revised on 1 June 2016. As per the revised management agreement, Taaleem Management Services Company S.A.E. became entitled to a management fee and can unilaterally direct the relevant activities of the University, drive key decisions, be exposed to variable return as a result of the University's performance, and manage the day to day activities of the University. By virtue of this revised management agreement and the above other arrangements, Taaleem Management Services Company S.A.E. obtained control over the Nahda University's business and consolidated the University's business in its financial statements from that date.

On 31 October 2016, Taaleem Management Services Company S.A.E. acquired the remaining 2.5% in Nahda Education Services Company S.A.E. to become a wholly-owned subsidiary.

On 11 August 2020, Taaleem Management Services Company S.A.E. acquired an additional 0.18% of Nahda LP and 0.71% of the University founder share for an EGP 2,000,000 consideration. After the transaction, Taaleem and Nahda Education S.A.E. ownership in Nahda LP became 98.91%.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

6. Investment in subsidiaries (continued)

Nahda University for Education And Management Services Company S.A.E

In October 2017, Taaleem Management Services Company S.A.E established Nahda University for Education Management Services Company S.A.E. which was registered in the commercial register under No. 111584 on 26 October 2017 (the "Established entity"). At the date of establishment Taaleem Management Services Company S.A.E owned 48%.

On the 19th of September 2019, the Company entered into a nominee agreement with a shareholder that owns 52% ("the Shareholder") of the established entity. The agreement concluded that the shareholder is a nominee of the company with the assignment of the title of the shares along with the attached voting, managerial, and distribution rights to the Company. Accordingly, the Company concluded that it controls the established entity starting from the date of the agreement.

Egyptian International Higher Education S.A.E.

On 1 February 2021, Taaleem Management Services Company S.A.E established Egyptian International Higher Education S.A.E, which was registered in the commercial register under No. 161102 (the "Established entity"). At the date of establishment Taaleem Management Services Company S.A.E owned 60% and Palm Hills for Education S.A.E owned 40%.

The Company controls the established entity starting from the date of the presidential decree issued on 12 August 2023 to establish a private university under the name "Badya University".

The signed shareholders agreement includes two exercisable put options granted by "Taaleem for Management Services" (shareholder-60% ownership)" to "Palm Hills for Education" (shareholder-40% ownership) to be exercised on specific future dates which give "Palm Hills" the option to sell its shares in the jointly incorporated company "Egyptian International Higher Education" (The investee) to "Taaleem" in exchange for specific consideration which is either the strike price mentioned for options 1 or 2 in the shareholder's agreement.

The strike price for the first put option is calculated as the average of both 10x the EBITDA of "EIHE" and the fair value of its shares exercisable at any time within the put option period which is 36 months commencing after the lapse of 24 months from the date the University commences accepting student admissions.

The strike price for the second put option shall be the entire value of the land of the currently under construction university "Badya University" exercisable on 31 August 2028.

The Company would recognize any put option liability for the variance between the option's exercise price and the fair value of the shares subject matter to the option. The management has assessed the impact of granting the put options on the separate financial statements and no adjustments were needed since the option price is directly linked to the fair value of the shares subject to the put option, however, there is a put option liability recognized on the group's consolidated financial statements amounting to EGP 481 million as at 31 August 2023.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

7. Investment in associates

Investment in associates as of August 31, 2023 are represented in the investment in SB Investment Company, whose capital consists only of ordinary shares, which is held directly by the Company. The country of incorporation or registration is also the main place of business, and the percentage of ownership is the same as that of the voting rights owned.

	Place of business / country of incorporation	Nature of relationship	Shareholding %		Carrying amount	
			31 August 2023	31 August 2022	31 August 2023	31 August 2022
SB Investment S.A.E.	Egypt	Associate	32%		- 294,312,258	-

On 27 March 2023, the Company held the capital increase extraordinary general meeting allowing Taaleem Management Services to subscribe and become a 32% shareholder in SB Investment S.A.E. The transaction was completed after fulfilling the agreement and completing all the required procedures.

The ownership percentage of Taaleem Management Services Company in SB Investment reached 32% through a capital increase of 294 Million Egyptian Pounds. The Company's efforts are currently directed towards completing the licensing of the University and using capital increase to accelerate the pace of establishing the University.

The shareholder's agreement includes a "Call Option" which gives Taaleem the right to purchase part of the shares owned by the existing shareholders of the Company that would give Taaleem Group 51% ownership of SB Investment S.A.E. This option is exercisable upon the lapse of the first academic year of the University and for a period of twelve months thereafter "exercise period". As of the date of the financial position, the licensing of the University is still in progress.

8. Trade receivables and other debit balances

	2023	2022
Employees dividends paid in advance	6,649,000	-
Withholding tax	4,481,341	4,481,029
Due from employees	599,583	354,148
Prepaid expenses	403,421	1,913,437
Advances to suppliers	48,616	550,593
Advances under investments*	-	45,000,000
Deposits held with others	-	25,000
	12,181,961	52,324,207

* Advances under investments account represents the amounts paid to establish the Egyptian International Company for Higher Education, in which Taaleem Management Services Company contributed 60% of capital. The founding assembly was held on 28 March 2021 for the company, and the presidential decree to establish "Badya University" was obtained on 12 August 2023. Moreover, management of the Company have evaluated the extent of the company's control over the established company during the financial year ended 31 August 2023, and accordingly have reclassified the investment appropriately as an Investment in Subsidiaries as illustrated in Note 6.

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

9. Related party balances / transactions

The Company entered into several transactions with companies and parties that are included within the definition of related parties, as stated in Accounting Standard (15). "Disclosure of related parties". The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses. Below is the statement that shows the nature and amounts of the transactions with related parties during the period:

A. Due from related parties:

Nature of the entity's relationship	31 August 2023	31 August 2022
Subsidiaries	8,043,216	56,346,625
	8,043,216	56,346,625

B. Due to related parties:

Nature of the entity's relationship	31 August 2023	31 August 2022
Subsidiaries	251,948,770	-
	251,948,770	-

C. Key management compensation:

	31 August 2023	31 August 2022
Profit distribution	14,486,403	10,338,469
Salaries	11,803,592	10,785,488
Board meeting attendance	7,440,000	5,500,000
	33,729,995	26,623,957

D. Transactions with related parties:

Nature of the entity's relationship	Nature of transactions	31 August 2023	31 August 2022
Subsidiaries	Expenses paid on behalf the subsidiaries	(49,288)	(6,060)
	Management fees paid in advance	150,935,841	-
	Expenses paid on behalf of the company	-	(227,112,564)
	Management fees*	149,365,632	149,365,632
Other related parties	Payment on behalf	-	600

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

9. Related party balances / transactions (continued)

D. Transactions with related parties: (continued)

Management fees*

On 1 June 2016, Taaleem Management Services signed a management contract with Nahda University. Pursuant to the contract, the University is entitled to receive technical managerial and educational consultation services. The contract entitled the Company "Taaleem" to the right to set strategic, educational, operational, and financial plans for the University for the contract term, which is 30 years starting from 9 September 2015 and ending 8 September 2045.

The company has a subordination agreement in respect of a tri-party agreement on December 29, 2022 between Al-Nahda University, Ahli United Bank, and Taaleem Management Services Company Guarantor), whereby Taaleem Management Services Company agreed to suspend the payment of the management fees received from Nahda University in case of Nahda defaulting on any loan repayments due. The loan amount is EGP 433,846,251 on August 31, 2023.

10. Cash and bank balances

	2023	2022
Bank current accounts	1,718,506	257,542
	<u>1,718,506</u>	<u>257,542</u>

Current accounts with banks are deposited with local banks under the supervision of the Central Bank of Egypt. The average interest rates on current accounts during the year was 14% per annum (31 August 2022: 7% per annual).

11. Right of use assets - leases

The right of use assets represent lease contracts related to the managerial quarter of the company and was measured at a carrying amount as if the standard had been applied since the inception of the lease, but discounted using the lending rate to the lessee at the date of application, and it is subsequently amortized over the life of the lease using the straight line method.

	2023	2022
Balance at the beginning of the year	17,758,467	-
The impact of the adoption of EAS 49 "Lease Contracts"	-	20,972,445
Depreciation charge for the year	(2,803,968)	(3,213,978)
Balance	<u>14,954,499</u>	<u>17,758,467</u>

Lease payments are discounted at an interest rate in the lease. If this rate cannot be determined, then the incremental borrowing rate of the lessee is used, which is the rate that the lessee would have to pay to borrow the money needed to obtain an asset of similar value in a similar economic environment with similar terms and conditions. An average interest rate of 10.75% has been used.

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Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

12. Paid-up capital

The authorized capital of the company amounted to 2,000,000,000 Egyptian pounds according to the extraordinary general assembly held on December 17, 2020.

The Company issued capital amounted to EGP 730,250,000 distributed to 730,250,000 shares with a par value of EGP 1 for each share.

The paid-up capital of the nominal value at 31 August 2023 and 31 August 2022 is allocated as follows:

Name	Nationality	No. of Shares	Value of shares	Paid up capital
31 August 2023 and 31 August 2022				
Thebes CV	Netherlands	152,045,115	152,045,115	152,045,115
EGY EDU BV	Netherlands	96,151,414	96,151,414	96,151,414
Other shareholders	Egyptian and foreign	482,053,471	482,053,471	482,053,471
		730,250,000	730,250,000	730,250,000

The Company established on 8 September 2014 with EGP 250,000 issued capital, and as permitted by the law, 25% of issued capital amounting to EGP 62,500 has been paid and the remaining amount to be completed within a five years period. On 14 May 2019 the Company's board of directors approved the completion of the paid-in capital and payment of the EGP 187,500 remaining amount. The Company registered the fully paid issued capital of EGP 250,000 in its commercial register on 17 June 2019.

The Company's board of directors held a meeting on 19 November 2019 and decided to request an extraordinary general meeting to discuss increasing the Company's capital. The extraordinary general meeting was held on 14 January 2020 and unanimously approved to increase the Company's authorized capital to EGP 1,000,000,000 (one billion Egyptian Pounds) and increase the Company's issued capital to EGP 730,250,000 (seven hundred thirty million two hundred fifty-thousand Egyptian Pounds).

The meeting also registered the payment of EGP 306,600,000 and the amount registered in the commercial register on 11 February 2020 which represents 42% of the EGP 730,000,000 issued capital increase.

On 22 February 2020, the Company's board held a meeting and called for EGP 292,000,000 payment in the Company's capital to increase the total paid-in capital of the Company to EGP 598,850,000 which has been registered in the commercial register on 8 March 2020.

On 12 May 2020, the Company's board held a meeting and called for EGP 131,400,000 payment in the Company capital to increase the total paid-in capital of the Company to EGP 730,250,000 and the amount was registered in the commercial register on 11 June 2020.

On December 17, 2020, the Extraordinary General Assembly agreed to split ten shares for one share of its ordinary share, accordingly. The nominal value of the shares became 1 EGP instead of 10 EGP per share before the split and the number of issued shares became 730,250,000 instead of 73,025,000 shares. In addition, the Extraordinary General Assembly approved an increase of the authorized capital from EGP 1,000,000,000 to EGP 2,000,000,000.

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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

12. Paid-up capital (continued)

On April 7, 2021. The company's shares were offered on the Egyptian Stock Exchange, and 357,822,200 shares were offered at a value of 2,057,477,650 Egyptian pounds, and thus the company's ownership structure changed after the subscription. During the period, Sphinx purchased 7,685,288 shares of the offered shares, with a value of 44,190,406 Egyptian pounds.

Sphinx Obelisk, the former direct parent company of Taaleem Management Services has sold its entire stake to its shareholders, and currently the largest shareholder in Taaleem Management Services is Thebes CV, owning 20.821% of the company's capital.

13. Reserves

Employee stock ownership plan

The balance of the incentive and reward employee stock ownership plan for shares is calculated on the basis of the weighted average in the month preceding the grant date and the share price that is determined on the basis of the weighted average in the month preceding the date of the right to begin to exercise, which is one year after each grant date. Then the outcome is multiplied by the number of units granted to each specific segment for each beneficiary to calculate the financial value due to each segment. The aforementioned outcome is divided into three equal financial values divided into three consecutive years. The number of shares due for each year is calculated by dividing the financial value for the period/ year by the share price for this period/ year (the weighted average in the month preceding the end date of the year subject to the plan), resulting in the final shares for each beneficiary.

The estimated value of the incentive and reward scheme for three years is EGP 50,387,250 (estimated payment in the year is EGP 16,795,750), subject to change with the change in the share performance. The estimated value for the year recorded in the equity is EGP 3,741,722.

Legal reserve

In accordance with the Companies law number 159 for year 1981, 5% of the net profit of the year is transferred to the legal reserve. This transfer may be partially discontinued if the legal reserve reaches 50% of the issued capital. This reserve is not available for distribution to shareholders.

14. Deferred tax assets / (liabilities)

Deferred income tax is represented in the tax liabilities arising from temporary differences between the tax basis of assets and their carrying amounts in the separate financial statements.

	Balance at 31 August 2022 (Liability)	Movement during the year	Balance at 31 August 2023 Asset/(Liability)
Assets / (liabilities)			
Fixed assets	(101,448)	557,717	456,269
Lease contracts	-	1,038,549	1,038,549
Total assets / (liabilities)	(101,448)	1,596,266	1,494,818

TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

14. Deferred tax assets / (liabilities) (continued)

Liabilities	Balance at 31 August 2021 (Liability)	Movement during the year	Balance at 31 August 2022 (Liability)
Fixed assets	(31,110)	(70,338)	(101,448)
Total liabilities	(31,110)	(70,338)	(101,448)

15. Lease liabilities

Liability represents current value of lease liability related to managerial quarter of the company and it has been evaluated with current value of contractual lease payments discounted at an incremental borrowing rate 10.75%.

	2023	2022
Current Value		
Less than one year	2,028,158	2,381,913
More than one year	17,542,115	18,402,636
	19,570,273	20,784,549

The lease movements are presented as follows:

	2023	2022
Balance at the beginning of the year	20,784,549	-
The effect of applying the change in Standard 49 "Lease Contracts"	-	18,767,087
Current Value	20,784,549	18,767,087
Add: interest charged during the year	2,092,383	2,017,462
Less: payments during the year	(3,306,659)	-
Lease liabilities at 31 August 2023	19,570,273	20,784,549

The lease commitments are as follows:

	2023	2022
Managerial headquarter		
Within one year	3,945,568	3,306,655
From one year to five years	22,128,262	24,088,087
More than five years	-	1,985,743
Total	26,073,830	29,380,485

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(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

16. Trade and other payables

	2023	2022
Accrued expenses	3,333,954	2,400,818
Tax authority	1,884,106	1,660,962
Social insurance authority	330,861	253,435
Others	133,960	507,223
	5,682,881	4,822,438

17. Current income tax liability

	2023	2022
Balance at 1 September	24,141,622	10,605,500
Current income tax for the year (Note 20)	22,598,011	24,234,579
Paid during the year	(24,488,707)	(10,698,457)
	22,250,926	24,141,622

18. Other expenses

	2023	2022
Transportation	554,638	117,947
Social insurance	450,038	365,701
Advertising	422,780	1,286,080
Bank charges	37,518	18,243
Others	4,837,625	5,168,696
	6,302,599	6,956,667

19. Finance income/(cost)

	2023	2022
Interest income – current accounts	8,685,181	180,840
Interest income – Treasury bills	4,965,637	-
Foreign currency exchange gain	762	257
Interest expense – Lease contracts	(2,092,383)	(2,017,462)
	11,559,197	(1,836,365)

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Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

20. Income tax expense

	2023	2022
Deferred income tax (Note 14)	(1,596,266)	70,338
Current income tax for the year	22,598,011	24,234,579
	21,001,745	24,304,917

Effective tax rate

The tax on profit before tax theoretically differs from the amount expected to be paid by applying the average tax rate applicable to the Company's profit as follows:

	2023	2022
Net profit before tax	88,478,861	101,544,198
Tax rate	22.5%	22.5%
Tax calculated based on net accounting profit	19,907,744	22,847,445
Non-deductible expenses	1,094,001	1,457,472
Income tax expense	21,001,745	24,304,917
Effective tax rate	23.7%	23.9%

21. Earnings per share

21.1 Basic:

Basic earnings per share is calculated by dividing:

- The profit for the year, deducting all the distributions to employees and Board of directors (If any)
- By the weighted average number of ordinary shares outstanding during the year represented by the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued by the Company during the year, and multiplied by the weighted time factor. The weighted time factor represents the number of days in which the number of shares remains outstanding as a fraction of the total number of days in the year.

	2023	2022
Net profit for the year	67,477,116	77,239,281
Expected distribution to the employees	(6,747,712)	(7,723,928)
	60,729,404	69,515,353
Weighted average number of shares	730,250,000	730,250,000
Earnings per share	0.083	0.095

21.2 Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares causing the (dilution) decrease.

During the financial year ended 31 August 2023, the Company did not issue any of the potential ordinary shares that resulted in a dilution. Hence, the diluted earnings per share is the same as the basic earnings per share.

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Notes to the separate financial statements - For the year ended 31 August 2023

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

22. Tax position

22.1 Income tax

Financial years from the date of inception till 31 August 2021:

- Tax returns are regularly submitted, and the Company has not been notified by any examination request till the date of separate financial statements.

Financial years from 31 August 2021 till 31 August 2023:

- The Company has submitted the tax returns on the legal deadline according to the Egyptian law.

22.2 Payroll tax

Financial years from date of inception till 31 August 2022:

- The tax is deducted and paid on a regular basis
- The Company is under inspection for wage and salary tax for the years mentioned above.

From 1 September 2022 till 31 August 2023:

- The tax is deducted and paid on a regular basis.
- The company has not been notified by any examination request.

22.3 Stamp duty

Financial years from the date of inspection till year 2018:

- The Company has been inspected and settled all claims.

Financial years from year 2018 till year 31 August 2023:

- The Company has not been notified by any examination request.

22.4 Withholding tax

Financial years from the date of inception till 31 August 2023:

- The tax is deducted and paid on a regular basis.
- The Company has not been notified by any examination request for withholding tax for the years mentioned above till the date of the separate financial statements.

22.5 Value added tax (VAT)

Financial years from 2016 till 31 August 2022:

- The Company has been registered for VAT according to Law no 67 of 2016 and VAT returns are submitted on a regular basis
- The Company has been inspected and settled all claims.

From 1 September 2022 till 31 August 2023:

- VAT returns are submitted on a regular basis

There are no disputes with tax authorities and no uncertain tax issues until the reporting date.

23. Significant events

During the financial year ending on 31 August 2023, the exchange rate of the Egyptian pound against the dollar reached an average of 31 pounds. The overnight deposit rate, the overnight lending rate, and the discount rate were 19.25%, 20.25%, and 19.75% respectively.