

**TAALEEM MANAGEMENT SERVICES  
COMPANY S.A.E. AND ITS SUBSIDIARIES**

**AUDITORS' REPORT  
AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2023**

**TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.**

**Consolidated 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 consolidated financial statements*

We have audited the accompanying consolidated financial statements of Taaleem Management Services Company S.A.E (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 August 2023 and the consolidated 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 Consolidated financial statements*

These consolidated financial statements are the responsibility of the Group's management. Management is responsible for the preparation and fair presentation of these Consolidated 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 Consolidated 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 consolidated 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 Consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group preparation and fair presentation of the consolidated 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 Group'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 Consolidated 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 Consolidated financial statements.



## *Auditor's report (continued)*

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#### *Opinion*

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



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.

## Consolidated statement of financial position- At 31 August 2023

(All amounts are shown in Egyptian Pounds)

	Note	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	1,865,701,653	1,021,561,734
Intangible assets	6	521,703,888	521,911,573
Investment in associates	7	294,312,258	-
Right of use assets	12	34,192,251	37,216,893
Trade receivables and other debit balances	9	15,406,391	15,977,056
<b>Total non-current assets</b>		<b>2,731,316,441</b>	<b>1,596,667,256</b>
<b>Current assets</b>			
Inventories	8	8,050,907	5,035,602
Trade receivables and other debit balances	9	48,099,768	72,431,953
Cash and bank balances	11	429,180,355	107,008,551
<b>Total current assets</b>		<b>485,331,030</b>	<b>184,476,106</b>
<b>Total assets</b>		<b>3,216,647,471</b>	<b>1,781,143,362</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Paid up capital	13	730,250,000	730,250,000
Put option reserve		(481,548,501)	-
Reserves	14	10,623,911	3,020,225
Retained Earnings		858,262,295	591,297,005
<b>Capital and reserves attributable to owners of the Parent Company</b>		<b>1,117,587,705</b>	<b>1,324,567,230</b>
Non-controlling interests	15	85,561,394	12,281,916
<b>Total equity</b>		<b>1,203,149,099</b>	<b>1,336,849,146</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	96,821,021	100,231,235
Trade and other payables	19 (A)	218,613,654	27,065,899
Lease liability	20	31,445,468	35,379,750
Bank borrowings	16	535,004,455	-
Put option liability	22	481,548,501	-
<b>Total non-current liabilities</b>		<b>1,363,433,099</b>	<b>162,676,884</b>
<b>Current liabilities</b>			
Provisions	18	4,730,716	4,855,857
Lease liability	20	12,455,217	9,621,204
Bank borrowings	16	54,230,781	-
Trade and other payables	19 (A)	265,477,982	108,328,336
Deferred revenue	19 (B)	222,859,166	88,754,087
Current income tax liability	21	90,311,411	70,057,848
<b>Total current liabilities</b>		<b>650,065,273</b>	<b>281,617,332</b>
<b>Total liabilities</b>		<b>2,013,498,372</b>	<b>444,294,216</b>
<b>Total equity and liabilities</b>		<b>3,216,647,471</b>	<b>1,781,143,362</b>

The accompanying notes on pages 8 - 52 form an integral part of these consolidated financial statements.  
Auditor's report attached.

  
Mr, Khaled Khater  
Group Chief Financial Officer

  
Eng, Mohamed El Rashidi  
Chief Executive Officer

26 October 2023

# Taaleem Management Services Company S.A.E.

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

	Note	2023	2022
(All amounts are shown in Egyptian Pounds)			
Revenues	23	749,858,402	617,857,651
Operating costs	24	(227,862,025)	(201,394,039)
<b>Gross profit</b>		<b>521,996,377</b>	<b>416,463,612</b>
General and administrative expenses	25	(166,534,083)	(127,142,058)
Other income		3,352,951	3,482,437
<b>Operating profit</b>		<b>358,815,245</b>	<b>292,803,991</b>
Finance income - net	27	27,671,129	6,533,011
<b>Profit before tax</b>		<b>386,486,374</b>	<b>299,337,002</b>
Deferred tax income	28	3,410,214	796,715
Current income tax expense	28	(90,443,758)	(69,936,066)
<b>Profit for the year</b>		<b>299,452,830</b>	<b>230,197,651</b>
<b>Profit is attributable to</b>			
Owner's of the Parent Company		297,108,871	228,463,668
Non-controlling interests	15	2,343,959	1,733,983
<b>Profit for the year</b>		<b>299,452,830</b>	<b>230,197,651</b>
<b>Earning per share</b>	29	<b>0.40</b>	<b>0.30</b>

The accompanying notes on pages 8 - 52 form an integral part of these consolidated financial statements.

**TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.**

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

	<u>2023</u>	<u>2022</u>
(All amounts are shown in Egyptian Pounds)		
Profit for the year	299,452,830	230,197,651
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>299,452,830</u></b>	<b><u>230,197,651</u></b>
<b>Total comprehensive income is attributable to:</b>		
Owner's of the Parent Company	297,108,871	228,463,668
Non-controlling interests	2,343,959	1,733,983
<b>Total comprehensive income for the year</b>	<b><u>299,452,830</u></b>	<b><u>230,197,651</u></b>

The accompanying notes on pages 8 - 52 form an integral part of these consolidated financial statements.

**TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.**

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

(All amounts are shown in Egyptian Pounds)

	Note	Paid-up capital	Reserves	Put option reserve	Retained earnings	Total	Non- controlling interest	Total equity
<b>Balance at 1 September 2021</b>		730,250,000	1,495,196	-	392,733,877	1,124,479,073	10,547,933	1,135,027,006
Dividends to the employees		-	-	-	(12,670,802)	(12,670,802)	-	(12,670,802)
Tax on dividends related to expected distribution to shareholders		-	-	-	(15,704,709)	(15,704,709)	-	(15,704,709)
Legal reserve	14	-	1,525,029	-	(1,525,029)	-	-	-
Total comprehensive income for the year		-	-	-	228,463,668	228,463,668	1,733,983	230,197,651
<b>Balance at 31 August 2022</b>		<b>730,250,000</b>	<b>3,020,225</b>	<b>-</b>	<b>591,297,005</b>	<b>1,324,567,230</b>	<b>12,281,916</b>	<b>1,336,849,146</b>
<b>Balance at 1 September 2022</b>		730,250,000	3,020,225	-	591,297,005	1,324,567,230	12,281,916	1,336,849,146
Capital		-	-	-	-	-	70,000,000	70,000,000
Dividends to the employees		-	-	-	(11,749,591)	(11,749,591)	-	(11,749,591)
Tax on dividends related to expected distribution to shareholders		-	-	-	(15,935,306)	(15,935,306)	-	(15,935,306)
Transfer to legal reserve	14	-	3,861,964	-	(3,861,964)	-	-	-
Employee stock ownership plan	14	-	3,741,722	-	-	3,741,722	-	3,741,722
Total comprehensive income for the year		-	-	-	297,108,871	297,108,871	2,343,959	299,452,830
Put option reserve	22	-	-	(481,548,501)	-	(481,548,501)	-	(481,548,501)
Consolidation of Subsidiary		-	-	-	1,403,280	1,403,280	935,519	2,338,799
<b>Balance at 31 August 2023</b>		<b>730,250,000</b>	<b>10,623,911</b>	<b>(481,548,501)</b>	<b>858,262,295</b>	<b>1,117,587,705</b>	<b>85,561,394</b>	<b>1,203,149,099</b>

The accompanying notes on pages 8 - 52 form an integral part of these consolidated financial statements.



# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E.

## Consolidated statement of Cash flows- For the year ended 31 August 2023

(All amounts are shown in Egyptian Pounds)

	Note	2023	2022
<b>Cash flows from operating activities</b>			
Profit for the year before tax		386,486,374	299,337,002
<b>Adjustments For:</b>			
Fixed assets depreciation	5	48,806,289	51,064,730
Right of use assets depreciation	12	11,593,538	9,879,740
Intangible assets amortization	6	207,685	207,452
Provisions used	18	(125,141)	(896,948)
Gain from sale of fixed assets		(69,018)	(46,206)
Interest expense - lease	20	5,536,324	4,831,694
Interest income	27	(34,318,247)	(14,794,966)
Employee stock ownership expense	14	3,741,722	-
<b>Operating profits before changes in operating assets and liabilities</b>		<b>421,859,526</b>	<b>349,582,498</b>
<b>Changes in operating assets and liabilities</b>			
Inventories		(3,015,305)	198,699
Trade receivables and other debit balances		27,241,648	(429,821)
Due from related parties		-	600
Trade and other payables		348,697,401	(16,970,561)
Deferred revenue		134,105,079	57,527,929
Income tax paid	21	(70,190,195)	(55,003,112)
<b>Net cash flows generated from operating activities</b>		<b>858,698,154</b>	<b>334,906,232</b>
<b>Cash flows from investing activities</b>			
Payments to purchase fixed assets	5	(892,997,190)	(298,227,091)
Proceeds from sales of fixed assets		120,000	46,206
Payment for acquisition of associates	7	(294,312,258)	-
Interest income collected	27	34,318,247	14,794,966
<b>Net cash flows used in investing activities</b>		<b>(1,152,871,201)</b>	<b>(283,385,919)</b>
<b>Cash flows from financing activities</b>			
Capital increase		70,000,000	-
Proceeds from bank borrowings		589,235,236	-
Dividends to the employees		(11,749,591)	(12,670,802)
Tax on dividends related to expected distribution to shareholders		(15,935,306)	(15,704,709)
Lease Liability payments		(15,205,488)	(8,542,911)
<b>Net cash flows generated from / (used in) financing activities</b>		<b>616,344,851</b>	<b>(36,918,422)</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>322,171,804</b>	<b>14,601,891</b>
Cash and cash equivalents at the beginning of the year		107,008,551	92,206,660
<b>Cash and cash equivalents at the end of the year</b>	11	<b>429,180,355</b>	<b>106,808,551</b>

The accompanying notes on pages 8 - 52 form an integral part of these consolidated financial statements.

## **TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **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 institutions in Egypt; 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 (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 consolidated 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 financial statements after it's issuance.

#### **2. Accounting policies**

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

##### **2.1 Basis of preparation of the consolidated financial statements**

These consolidated 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 AND ITS SUBSIDIARIES

### Notes to the consolidated 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 consolidated financial statements (continued)

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

##### Percentage of ownership in subsidiaries

The Group consists of the below companies unless otherwise stated and the percentage of ownership in subsidiaries are as follows:

	Country of incorporation	Ownership interest held by the Group		Ownership interest of non-controlling interest	
		2023	2022	2023	2022
Nahda Education Services S.A.E.	Egypt	99.99%	99.99%	0.01%	0.01%
Nahda University LP & Nahda University	Egypt	98.9%	98.9%	1.1%	1.1%
Nahda University for Education and Management Services Company S.A.E.	Egypt	99.90%	99.90%	0.1%	0.1%
Egyptian International Higher Education S.A.E.	Egypt	60%	-	40%	-

Ownership interest held by the Group in Nahda University LP includes Nahda University business. All subsidiaries reporting dates are based on the educational and academic year (September till August each year).

Financial information about the material subsidiary of the Group as follows:

Name of subsidiary	Nahda University	
	2023	2022
<b>Summarised statement of financial position</b>		
Current assets	629,336,400	123,842,729
Current liabilities	(497,530,547)	(298,355,736)
<b>Current net assets /(liabilities)</b>	<b>131,805,853</b>	<b>(174,513,007)</b>
Non-current assets	1,253,092,128	979,261,420
Non-current liabilities	(421,935,431)	(60,995,210)
<b>Non-current net assets</b>	<b>831,156,697</b>	<b>918,266,210</b>
<b>Net assets</b>	<b>962,962,550</b>	<b>743,753,203</b>
<b>Accumulated NCI</b>	<b>14,852,500</b>	<b>12,337,696</b>

# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

## Notes to the consolidated 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 consolidated financial statements (continued)

Name of subsidiary	Nahda University	
	2023	2022
<b>Summarized statement of profit and loss</b>		
Revenue	749,858,402	617,857,651
<b>Profit for the year</b>	<b>235,144,654</b>	<b>158,616,375</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>235,144,654</b>	<b>158,616,375</b>
<b>Profit allocated to NCI</b>	<b>2,570,584</b>	<b>1,752,585</b>

Name of subsidiary	Nahda University	
	2023	2022
<b>Summarized statement of cash flows</b>		
Cash flows generated from operating activities	139,966,026	321,416,609
Cash flows used in investing activities	(300,851,540)	(280,208,914)
Cash flows generated from / (used in) financing activities	405,047,766	(24,247,619)
<b>Net increase in cash and cash equivalents</b>	<b>244,162,252</b>	<b>16,960,076</b>

#### 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 E.G.P. 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 controlling party 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.

## **TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **2. Accounting policies (continued)**

##### **2.1 Basis of preparation of the consolidated financial statements (continued)**

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%. The carrying amount of the existing non-controlling interest was 250,000 EGP and the consideration paid to non-controlling is 2,000,000 EGP. The group recognized a decrease in non-controlling interests of 1,450,439 EGP and a decrease in equity attributable to owners of the parent of 549,561 EGP.

##### **Nahda University for Education and Management Services Company S.A.E.**

During 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 19th 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 group concluded that it controls the established entity and its results were consolidated in the consolidated financial statements 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 (EIHE), 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%.

On the 1<sup>st</sup> of February 2023, the Company entered into a shareholder's agreement with Palm Hills for Education S.A.E. that gives the right to Taaleem Management Services S.A.E. to control the subsidiary "EIHE". Its results were consolidated in the group consolidated financial statements starting from the date of the presidential decree issued on 12 August 2023 to establish a private university under the name "Badya University".

#### **2.2 Basis of consolidation**

##### **Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

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#### 2. Accounting policies (continued)

##### 2.2 Basis of consolidation (continued)

###### 1. Acquisition method

The Group applies the acquisition method to account for business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred in a business combination is measured at the fair value of the assets transferred, the liabilities incurred by the Group to the former owners of the acquiree, the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. In any business combination, the Group recognises any non-controlling interests in the subsidiary at the proportionate share of the recognised amounts of acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquirer is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

Inter-Company assets, liabilities, equity, income, expenses, and cash flows related to transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

###### 1. Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the parent company.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

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#### 2. Accounting policies (continued)

##### 2.2 Basis of consolidation (continued)

##### 2. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquire, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, and contingent liabilities at the date of acquisition. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored inside the group at the operating segments level.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

##### 3. Measurement period

The measurement period is the period required for the Group to obtain the information needed for the initial measurement of the items resulting from the acquisition of the subsidiary and does not exceed one year from the date of acquisition. In case the Group obtains new information during the measurement period relative to the acquisition, amendment is made retrospectively for the amounts recognised at the date of acquisition.

##### 2.3 Investment in associate

Investments in associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group 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 group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group'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 group'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 group 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 AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **2. Accounting policies (continued)**

##### **2.3 Investment in associate (continued)**

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group'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 group.

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.

##### **2.4 Foreign currency transaction**

###### **Functional and presentation currency**

Items included in the consolidated financial statements of each of the Group's entities are measured and presented using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Egyptian Pounds, which is the Group's presentation currency.

###### **Transactions and balances**

Transactions made in foreign currency during the period are initially recognised in the functional currency of the Group 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 Group 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.



## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

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#### 2. Accounting policies (continued)

##### 2.5 Fixed assets

The Group 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 Group.

The Group 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 Group and the cost of the item can be measured reliably. The Group 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 Group recognises the costs of daily servicing of the fixed assets in the statement of profit or loss.

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' Groups:

Buildings	40 years
Infrastructure	10 years
Furniture and fixtures	7 years
Laboratories	7 years
Machinery and equipment	7 years
Vehicles	5 years
Books	20 years
Programs & computers	10 years

The Group 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 it 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 and loss "Other expenses - income".

Projects under construction are allocated to the relevant fixed assets category when the relevant assets are ready for use when it meets all the fixed assets recognition conditions. When the projects under construction cost exceeds the value expected to be recoverable it is reduced to the expected recoverable cost and the difference is recognized directly to the statement of profit or loss.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

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#### 2. Accounting policies (continued)

##### 2.6 Financial assets

###### (i) Classification

The Group 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 Group'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 consolidated profit or loss statement or the consolidated other comprehensive income statement. As for the investments in equity instruments not held for trading, it depends on whether the Group has made an irrevocable election at initial recognition to measure the equity investment at fair value through other comprehensive income.

Debt instruments are reclassified only when the business model for managing these assets as a whole changes.

###### (ii) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group 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 group has transferred substantially all the risks and rewards of ownership.

###### (iii) Subsequent measurement

At initial recognition, the group 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.

###### (iv) Debt instruments

Subsequent measurement of debt instruments depends on the Group'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 Group'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 consolidated 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.

## **TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES**

### **Notes to the consolidated 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 Financial assets (continued)**

Movements in the carrying amount are presented through the consolidated 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 consolidated statement of profit or loss.

On the financial asset derecognition, retained earnings/losses -previously recognized in the consolidated statement of other comprehensive income- from the statement of equity to the consolidated 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 of 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 consolidated statement of profit or loss (net) included in the other income/loss during the period it was originated in.

##### **2.7 Impairment of financial assets**

The Group 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 Group applies the simplified approach for ECL on trade receivables and due from related parties. The Group 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 cash equivalents 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 Group 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 statement of comprehensive income.

## **TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **2. Accounting policies (continued)**

##### **2.8 Intangible assets other than goodwill**

###### **i) Licenses**

The University licences acquired in a business combination are recognised by reference to fair value at the acquisition date. The University license presidential decree is indefinite, there are provisions for neither a licensing period nor license revoking in the private universities law No. 101 for 1992 which amended by law No. 12 for 2009, or its executive regulations, no governmental periodic renewal process or renewal fees requirements and no similar University license has been historically revoked or suspended in Egypt The Group does not charge amortisation expenses to licence as it is considered as infinite lived intangible asset.

For Software license: amortization is made over the license period, which is 10 years. The license is for the sites and educational programs that support the Group in the framework of the transition to interactive education.

###### **ii) Acquired customer relationships with existing students**

Existing students acquired in a business combination are recognised by reference to fair value at the acquisition date. The Group charges amortisation expenses of the existing students' relationships as the economic benefits derived are expected over 4 years using the straight-line method.

##### **2.9 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.

##### **2.10 Cash and cash equivalents**

In the consolidated 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.

##### **2.11 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises costs of purchase and other costs, incurred by the Group in bringing the inventories to their present location and condition, and excludes borrowing costs.

##### **2.12 Capital**

Ordinary shares are classified within equity.

## **TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **2.13 Current and deferred income tax**

The Group 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 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 balance sheet 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 consolidated financial statements.

Deferred tax is determined using tax rates and laws that have been enacted at the date of the consolidated 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 the 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.

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 Group and it is probable that the temporary differences will not be settled in the foreseeable future. Generally, the Group is unable to control the settlement of the temporary difference for associates, only where there is an agreement in place that gives the Group 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 Group 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.

#### **2.14 Employees' benefits**

##### **(1) Profit-sharing**

According to Companies law, employees are entitled to a 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 group'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 Group's shareholders.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

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#### 2. Accounting policies (continued)

##### 2.14 Employees' benefits (continued)

###### (2) 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.

###### (3) Employee 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:

- (1) Each beneficiary is granted units that are considered the basis on which allocated shares are calculated.
- (2) The supervisory committee determines the date of the grant.
- (3) 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.
- (4) 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.
- (5) Starting from April 2021, the number of units allocated to this 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.
- (6) 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 consolidated statement of profit or loss.

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

## **TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **2. Accounting policies (continued)**

##### **2.15 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

##### **2.16 Borrowing costs**

Specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When funds are borrowed for the purpose of acquiring a qualifying asset to bear the cost of borrowing, the Group determines the amount of borrowing costs that are capitalised on this asset, which is the actual borrowing costs incurred by the entity during the period because of the borrowing transaction less any revenue realised from the temporary investment of borrowed funds.

The Group recognises other borrowing costs as expenses in the period the Group incurs such costs.

##### **2.17 Provisions**

Provisions are recognised when the Group 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.

##### **2.18 Trade payables**

Trade payables are recognised initially at the amount of goods or services received from others, whether they invoice 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 interest rate of similar term loans. Trade payables are then carried at amortised cost using the effective interest rate.

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### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **2. Accounting policies (continued)**

##### **2.19 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 Group's normal course of business, stated net of value-added taxes, discounts, or deductions. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below. The 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.

##### **(1) Tuition revenue**

The Group provides educational services to students through its owned university. Educational revenue is recognised overtime throughout the period of rendering the educational services.

##### **(2) Bus and accommodation revenue**

The Group provides transportation and accommodation services to students through its owned busses and dorms. The revenue is recognised overtime throughout the period of rendering the services.

##### **(3) Interest income**

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

##### **2.20 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:

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

The Group 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 Group 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 AND ITS SUBSIDIARIES

### Notes to the consolidated 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)

##### 2.21 Segments reporting

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

##### 2.22 Dividends

Dividends are recognised as liabilities in the consolidated financial statements upon the approval of the Group'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.

##### 2.23 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for 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 using the ECL model, and it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

##### 2.24 Leases

The Group rents buildings as a lessee; which are used in the Group'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 Group 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. 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.

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### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **2. Accounting policies (continued)**

##### **2.24 Leases (continued)**

###### 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 rent 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.

###### 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,
- 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.

#### **3. Financial risk management**

##### **3.1 Financial risks factors**

The Group 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 interest rate), credit risk, and liquidity risk. The Group is not exposed to price risk as it doesn't have investments measured at fair value.

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

###### **(a) Market risk**

###### **(i) Foreign currency exchange rate risks**

Foreign currency exchange rates risks are the risks of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates. The following analysis shows the calculation of the effect of reasonable and possible shift in foreign currencies against the functional currency of the Group while keeping all other variables constant, on the consolidated statement of profit or loss:

# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

## Notes to the consolidated 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)

##### (a) Market risk (continued)

##### (i) Foreign currency exchange rate risks (continued)

The following table shows the currencies position presented in Egyptian Pounds at the date of the consolidated statement of financial position:

	2023		2022
	Assets	Net	Net*
USD	345,499	345,499	672,003
EURO	165	165	-
GBP	27,229	27,229	16,735

\* At the end of the year, the Group does not have any liabilities in foreign currency.

Note 27 is illustrating the foreign currency gains or losses that have been recognised in the consolidated statement of profit or loss during the year.

At the end of the year, if the foreign currency had increased or decreased by 10%, the effect on the consolidated profit or loss would have been as follows:

	2023	2022
USD +/-10%	34,550	67,200
EURO +/-10%	17	-
GBP +/-10%	2,723	1,674

##### (ii) Cash flows and fair value interest rate risks

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in the market's interest rates.

The Group is exposed to interest rate risk on all interest bearing assets and liabilities (bank deposits, treasury bills, overdrafts, and term loans). The Group maintains an appropriate mix of fixed rate and variable rate borrowings to manage the interest rate risk.

The sensitivity on the consolidated statement of profit or loss is the effect of the assumed changes in the interest rates on the Group's results for one year based on financial assets and liabilities with variable interest rates at 31 August 2023:

	Increase/ decrease	Effect on consolidated profit or loss EGP
31 August 2023	1%	3,378,604
31 August 2022	1%	-

# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

## Notes to the consolidated 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.

Credit risk arises from cash and cash equivalents and treasury bills.

Cash at banks 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.

Balances exposed to credit risks are as follows:

	2023	2022
Cash and bank balances	429,180,355	107,008,551
	<u>429,180,355</u>	<u>107,008,551</u>

##### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due, due to shortage of funding. The Group'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 inventory balances in order to ensure sufficient cash is maintained to discharge the Group's liabilities.

The Group'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 Group'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	Over 5 years	Total
<b>31 August 2023</b>					
Bank borrowings	-	54,230,781	535,004,455	-	589,235,236
Trade and other payables	170,570,103	94,908,292	218,613,241	-	484,091,636
Lease liabilities	8,330,410	8,453,708	37,953,111	-	54,737,229
<b>Total</b>	<u>178,900,513</u>	<u>157,592,781</u>	<u>791,570,807</u>	<u>-</u>	<u>1,128,064,101</u>
<b>31 August 2022</b>					
Trade and other payables	108,328,336	-	27,065,899	-	135,394,235
Lease liabilities	6,351,929	6,351,929	42,744,966	1,985,743	57,434,567
<b>Total</b>	<u>114,680,265</u>	<u>6,351,929</u>	<u>69,810,865</u>	<u>1,985,743</u>	<u>192,828,802</u>

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the Group debts. The Group'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 Group's total equity as described in the statement of financial position plus net debt (while not accounting for the net debt if the value is below zero).

Net debt to total capital is as follows:

	2023	2022
<b>Total liabilities</b>		
Trade and other payables – current	265,477,982	108,328,336
Trade and other payables – non-current	218,613,654	27,065,899
Bank borrowings	589,235,236	-
<b>Less: Cash and bank balances</b>	<b>(429,180,355)</b>	<b>(107,008,551)</b>
<b>Net liabilities</b>	<b>644,146,517</b>	<b>28,385,684</b>
Equity	1,203,149,099	1,336,849,146
<b>Total capital</b>	<b>1,847,295,616</b>	<b>1,365,234,830</b>
<b>Gearing ratio</b>	<b>35%</b>	<b>2%</b>

##### 3.3 Fair value estimation

At the period 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 period-end approximates its fair value due to their shorter maturities.

The fair value of the non-current portion of trade and other payable is not expected to have a material difference from the reported carrying amount.

#### 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 year are addressed below. In general, applying the Group's accounting policies does not require management to use professional judgments that may have significant impacts on the amounts recognised in the consolidated financial statements.

## **TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

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#### **4. Critical accounting estimates and judgment (continued)**

##### **Impairment of goodwill**

The Group tests goodwill for impairment at least annually. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 6.

##### **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 Group. 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.

##### **Amortization of prepayments**

During 2019, the Group has entered into a contract with the Egyptian Electricity Transmission Company for the purpose of obtaining access to the needed infrastructure equipment to facilitate connecting the university's premises with the national grid.

In August 2019, the Group has paid an amount of EGP 18,261,279 for the cost of obtaining access to the infrastructure equipment, as this will be used to support the electricity connection in the future without any ownership rights attributable to the Group, the payment was recognised as an advance payment for future utilities services to be amortised over 32 years which corresponds to the remaining useful life of the Buildings.

##### **Impairment of financial assets:**

Expected credit losses for financial assets are based on assumptions about the risk of default and expected loss rates. The Group uses a range of significant judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history and current market conditions as well as future estimates at the end of each year. 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 AND ITS SUBSIDIARIES

## Notes to the consolidated 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

Year ended	Land	Buildings	Infrastructure	Furniture & fixtures	Laboratories	Machinery & equipment	Vehicles	Books	Programs & computer	Projects under constructions	Total
31 August 2022											
Opening net book amount	200,541,727	363,331,291	68,332,827	25,117,143	63,242,006	5,715,018	7,896,908	469,289	2,135,350	37,617,814	774,399,373
Additions	-	-	589,587	7,293,001	3,474,423	2,280	-	46,273	-	286,821,527	298,227,091
Transfer from PUC	-	833,456	10,151,494	306,022	3,012,303	-	-	-	152,960	(14,456,235)	-
Disposals	-	-	-	-	-	-	-	(2,357,641)	-	-	(2,357,641)
Accumulated depreciation for disposals	-	-	-	-	-	-	-	2,357,641	-	-	2,357,641
Depreciation charge	-	(11,247,618)	(9,587,510)	(9,216,650)	(15,090,050)	(1,927,235)	(2,624,281)	(38,849)	(1,332,537)	-	(51,064,730)
Net book amount	200,541,727	352,917,129	69,486,398	23,499,516	54,638,682	3,790,063	5,272,627	476,713	955,773	309,983,106	1,021,561,734
At 31 August 2022											
Cost	200,541,727	435,162,989	127,163,049	112,970,643	123,817,097	18,932,687	41,349,161	776,975	5,574,251	309,983,177	1,376,271,756
Accumulated depreciation	-	(82,245,862)	(57,676,645)	(89,471,196)	(69,178,608)	(15,142,625)	(36,076,534)	(300,269)	(4,618,283)	-	(354,710,022)
Net book amount	200,541,727	352,917,127	69,486,404	23,499,447	54,638,489	3,790,062	5,272,627	476,706	955,968	309,983,177	1,021,561,734

Depreciation of the year includes an amount of 49,777,691 for operating expenses and 1,287,039 for general and administrative expenses.

# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

## Notes to the consolidated 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 (continued)

	Land	Buildings	Infrastructure	Furniture & fixtures	Laboratories	Machinery & equipment	Vehicles	Books	Programs & computer	Projects under constructions	Total
<b>Year ended 31 August 2023</b>											
Opening net book amount	200,541,727	352,917,127	69,486,404	23,499,447	54,638,489	3,790,062	5,272,627	476,706	955,968	309,983,177	1,021,561,734
Additions*	-	-	-	2,807,114	1,401,326	837,526	-	-	1,898,400	886,052,824	892,997,190
Transfer from PUC	-	30,442,718	-	637,900	-	-	-	-	-	(31,080,618)	-
Disposals	-	-	-	-	-	-	(110,000)	-	(82,850)	-	(192,850)
Accumulated depreciation for disposals	-	-	-	-	-	-	109,999	-	31,869	-	141,868
Depreciation charge	-	(11,473,195)	(9,994,038)	(6,753,552)	(15,346,391)	(1,695,955)	(2,471,105)	(38,849)	(1,033,204)	-	(48,806,289)
<b>Net book amount</b>	<b>200,541,727</b>	<b>371,886,650</b>	<b>59,492,366</b>	<b>20,190,909</b>	<b>40,693,424</b>	<b>2,931,633</b>	<b>2,801,521</b>	<b>437,857</b>	<b>1,770,183</b>	<b>1,164,955,383</b>	<b>1,865,701,653</b>
<b>At 31 August 2023</b>											
Cost	200,541,727	465,605,707	127,163,049	116,415,657	125,218,423	19,770,213	41,239,161	776,975	7,389,801	1,164,955,383	2,269,076,096
Accumulated depreciation	-	(93,719,057)	(67,670,683)	(96,224,748)	(84,524,999)	(16,838,580)	(38,437,640)	(339,118)	(5,619,618)	-	(403,374,443)
<b>Net book amount</b>	<b>200,541,727</b>	<b>371,886,650</b>	<b>59,492,366</b>	<b>20,190,909</b>	<b>40,693,424</b>	<b>2,931,633</b>	<b>2,801,521</b>	<b>437,857</b>	<b>1,770,183</b>	<b>1,164,955,383</b>	<b>1,865,701,653</b>



## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

### Notes to the consolidated 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 (continued)

During the year, an amount of EGP 6,791,999 (31 August 2022: EGP 5,785,365) was added to projects under construction, represented in capitalized interests on a project in Beni Suef, which was purchased on instalments.

During the year, an amount of EGP 48,694,446 (31 August 2022: EGP Nil) was added to projects under construction, represented in borrowing costs on multiple projects in Beni Suef. During the year, an amount of EGP 10,299,674 (31 August 2022: EGP Nil) was added to projects under construction, represented in capitalized borrowing costs on Badya University project.

Depreciation for the period includes an amount of EGP 45,675,877 for operating expenses and EGP 3,130,412 for general and administrative expenses.

The Group has capital commitments related to the first phase of construction of Badya University which includes four faculties with a total amount of EGP 343,012,686 (31 August 2022: EGP Nil).

\*Projects under construction additions include an amount of EGP 376,596,109 for Badya University land, an amount of EGP 198,001,501 for Badya University phase one construction works, and an amount of EGP 311,455,215 for Nahda University's new projects.

#### 6. Intangible assets

	Movement			Total
	Goodwill	License	Software	2022
Net book amount at 1 September 2021				
Arising from business combination	222,464,614	298,409,000	1,245,411	522,119,025
Amortisation charge	-	-	(207,452)	(207,452)
Net book amount at 31 August 2022	222,464,614	298,409,000	1,037,959	521,911,573
	Movement			Total
	Goodwill	License	Software	2023
Net book amount at 1 September 2022				
Arising from business combination	222,464,614	298,409,000	1,037,959	522,911,573
Amortisation charge	-	-	(207,685)	(207,452)
Net book amount at 31 August 2023	222,464,614	298,409,000	830,274	521,703,888

#### Goodwill

Nahda University LP and Nahda University are considered as one cash-generating unit as group has only one university that is located in Egypt, for which the goodwill resulting from acquisition was allocated.

The recoverable amount of cash-generating unit is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by management, which cover a period of six years maximum. The terminal value is calculated using a 5% terminal growth rate (31 August 2022: 5%) which does not exceed the long-term average historical growth rate for the education sector in which the subsidiary operates. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 6. Intangible assets (continued)

##### Licenses

The fair value of the license is determined by using multi-period excess earnings method. ("MEEM") The fundamental principle underlying the MEEM is to isolate the net earnings attributable to the asset being measured. Cash flows are used as a basis for applying this method. An intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life excluding contributory assets. The net present value of any tax benefits associated with amortising the intangible asset for tax purposes (where relevant) is added, to arrive at the intangible asset's fair value. The contributory asset charges are calculated using the assets' respective fair values, and they are based on an 'earnings hierarchy' or prioritisation of total earnings ascribed to the assets in the group. The earnings hierarchy is the foundation of the MEEM, in which earnings are first attributed to a fair return on contributory assets (such as investment in working capital) and property, plant and equipment. These are considered a prerequisite to developing the ability to deliver goods and services to customers, and thus their values are not included as part of the intangible asset's value.

##### Software

The useful lives of the software development assets are assessed to be finite lives. Assets with finite lives are amortized over their useful lives and tested for impairment whenever there are indications that the assets may be impaired.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the Software development asset from the date it is available for use the estimated useful lives are 10 years.

The University has signed a contract with Aptech's Company, which is a 10-year of license for the sites and educational programs for the Group in the framework of the transition to interactive education.

When testing Goodwill for impairment, the recoverable amount of a cash generating unit is determined based on value-in-use calculations. The recoverable amount was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a six-year period, this ascribed to the length of business cycle in the University. Cash flows beyond the six-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Cash inflows used for the purpose of calculating the value in use include education revenue and tuition fees.

Cash outflows used for the purpose of calculating value in use include academic and admin staff costs, commissions, educational materials, and operating expenses.

Key assumptions used for value-in-use calculations to test the recoverability of goodwill are as follows:

	2023	2022
Revenue average annual growth rate	23%	21%
Gross profit average annual growth rate	23%	20%
Terminal growth	5%	5%
Discount rate	23%	20%

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 6. Intangible assets (continued)

Management determined the budgeted gross margin based on past performance and its market expectations. The weighted average growth rates used are consistent with the forecasts included in industry reports. The determined value in use is higher than the carrying value of intangible assets and hence no impairment losses were recognised in the consolidated financial statements.

The discount rates used are pre-tax, and reflect specific risks relating to the relevant CGUs.

#### Impact of possible changes in key assumptions

If the following key assumptions have changed:

To measure the sensitivity of changes in the assumptions used on the value in use of goodwill, assuming that the following changes occur to the main assumptions and analyzing their impact as follows:

- Assuming that: Budgeted average gross margin used in the value-in-use calculation for the CGU had been 5% lower than management's estimates. The value-in-use amount will be decreased by EGP 427M (2022: EGP 456M) which represent a 11.5% (2022: 10.9%) decline in the value-in-use amount.
- Assuming that: Budgeted average revenue growth rate used in the value-in-use calculation for the CGU had been 1% lower than management's estimates. The value-in-use amount will be decreased by EGP 72M (2022: EGP 80M) which represent a 1.9% (2022: 1.9%) decline in the value-in-use amount.
- Assuming that: Pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates. The value-in-use amount will be decreased by EGP 245M (2022: EGP 300M) which represent a 6.6% (2022: 7.2%) decline in the value-in-use amount.
- Assuming that: Terminal growth rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates. The value-in-use amount will be increased by EGP 136M (2022: EGP 173M) which represent a 3.7% (2022: 4.1%) incline in the value-in-use amount.

The 5% decline in growth rate or terminal growth rate or 5% increase in the discount rate would still result in significant excess of the value in use over the carrying amounts of intangible assets. Therefore, there are no indications of impairment of the carrying value of intangible assets.

#### 7. Investment in associates

Investments 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 Group. 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	-

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

### Notes to the consolidated 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 (continued)

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 Group'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. Inventories

	2023	2022
Other supplies	4,874,186	3,430,522
Hospital supplies	3,176,721	1,605,080
	<b>8,050,907</b>	<b>5,035,602</b>

There are no indications of impairment in the value of the inventory as it is transferred to fixed assets or used within the normal course of business and not for the purpose of selling.

#### 9. Trade receivables and other debit balances

	2023	2022
Prepaid expenses (Note 4)	22,133,573	19,958,438
Advances to suppliers	11,810,610	6,542,838
Employees dividends paid in advance	6,649,000	-
Deposits held with others	5,486,986	5,445,686
Advances to tax authority	4,481,341	4,481,029
Employee custody	1,374,159	919,288
Advances under investments*	-	45,000,000
Other receivables	11,570,490	6,061,730
	<b>63,506,159</b>	<b>88,409,009</b>
<u>Less: non-current portion</u>		
Prepaid expenses – non-current portion (Note 4)	(15,406,391)	(15,977,056)
	<b>48,099,768</b>	<b>72,431,953</b>

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 9. Trade receivables and other debit balances (continued)

- 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 group have evaluated the extent of the group'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, and consolidated it in the group's financial statements.

#### 10. Related party transactions

(i) The Group did not enter into any 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.

(ii) Key management compensation

	2023	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
	<b>33,729,995</b>	<b>26,623,957</b>

During the year, there were no transactions with related parties.

#### 11. Cash and bank balances

	2023	2022
Treasury bills – less than 3 months	251,374,804	-
Bank current accounts	177,667,473	106,808,551
Cash on hand	138,078	-
Deposits with banks	-	200,000
<b>Cash on hand and at banks</b>	<b>429,180,355</b>	<b>107,008,551</b>
less: Time deposit restricted to cover letter of guarantee	-	(200,000)
<b>Cash and cash equivalents</b>	<b>429,180,355</b>	<b>106,808,551</b>

Current accounts and time deposits 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 15% per annum. (31 August 2022: 7%).

The interest rate for the treasury bills with a maturity of less than three months is 23%.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 11. Cash and bank balances (continued)

Time deposits are placed at local banks and are matured within periods of 90 days as of the date of placement. These deposits have interest rates 15% per annum. (31 August 2022: 7%).

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise:

	2023	2022
Deposits with banks	-	200,000
Bank current accounts	177,667,473	106,808,551
Cash on hand	138,078	-
Treasury bills – less than 3 months	251,374,804	-
Less : coverage of a guarantee letter	-	(200,000)
<b>Cash and cash equivalents</b>	<b>429,180,355</b>	<b>106,808,551</b>

#### 12. Right of use assets - leases

The right of use assets represent lease contracts related to the managerial quarter of the company and smart village building 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 depreciated over the life of the lease using the straight line method.

	2023	2022
Balance at the beginning of the year	37,216,893	-
The impact of the adoption of EAS 49 “Lease Contracts”	-	47,506,662
Addition during the year	8,568,896	-
Depreciation charge for the year	(11,593,538)	(10,289,769)
<b>Balance</b>	<b>34,192,251</b>	<b>37,216,893</b>

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 interest rate range of 10.75% and 17.25% has been used.

#### 13. 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.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 13. Paid-up capital (continued)

The paid-up capital of the nominal value is allocated as follows for the year ended 31 August 2023 (31 August 2022):

Name	Nationality	No. of Shares	Value of shares	Paid up capital
<b>31 August 2023</b>				
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 & foreign	482,053,471	482,053,471	482,053,471
		<b>730,250,000</b>	<b>730,250,000</b>	<b>730,250,000</b>

Name	Nationality	No. of Shares	Value of shares	Paid up capital
<b>31 August 2022</b>				
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 & foreign	482,053,471	482,053,471	482,053,471
		<b>730,250,000</b>	<b>730,250,000</b>	<b>730,250,000</b>

The Company was 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 paid within five years. On 14 May 2019 the Company's board of directors approved the completion of the paid-in capital 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.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 13. Paid-up capital (continued)

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.

#### 14. 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 year by the share price for this 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 discontinued if the legal reserve reaches 50% of the issued capital. This reserve is not available for distribution to shareholders.

#### 15. Non-controlling interests

	Capital	Reserves	Retained earnings	Total
<b>31 August 2022</b>				
Balance at 1 September 2021	1,512,500	3,677,604	5,357,829	10,547,933
Total comprehensive income for the year	-	-	1,733,983	1,733,983
<b>Balance at 31 August 2022</b>	<b>1,512,500</b>	<b>3,677,604</b>	<b>7,091,812</b>	<b>12,281,916</b>
<b>31 August 2023</b>				
Balance at 1 September 2022	1,512,500	3,677,604	7,091,812	12,281,916
Minority share in subsidiary	70,000,000	-	935,519	70,935,519
Total comprehensive income for the year	-	-	2,343,959	2,343,959
<b>Balance at 31 August 2023</b>	<b>71,512,500</b>	<b>3,677,604</b>	<b>10,371,290</b>	<b>85,561,394</b>



## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 16. Bank borrowings

	31 August 2023	31 August 2022
Medium-term loans – current portion	54,230,781	-
Medium-term loans – non-current portion	535,004,455	-
<b>Total</b>	<b>589,235,236</b>	<b>-</b>

Bank Borrowings represent the value of a loan granted to the Group by Ahly United Bank. The total loan amount available is EGP 1.95 billion. The bank medium-term loans are EGP 589,235,236 as of 31 August 2023 (31 August 2022: Nil), the interest rate for the loan is 1.25% per annum plus lending corridor rate. The period of terms of these contracts are five years and nine years, starting from the date of the first withdrawal of the "funding period", with a grace period granted to the Group of one year and five years from the date of the first withdrawal.

The Group is committed to paying the total funding amount of Nahda University in 8 semi-annual instalments of equal value, and at Badya University over four years starting from March 2028, due in September and March of every financial year.

- A tri-party agreement was established between Ahly United bank, Nahda University (Borrower), and Taaleem Management Services Company S.A.E. (Guarantor), whereby Taaleem Management Services Company agreed to forfeit the management fees received from Nahda University in case of Nahda defaulting on any loan repayments due.
- An insurance policy against all risks on the assets of the Group covering at least 110% of the value of the financing amount.

#### Debt covenants:

The debt service ratio is not less than 3:2 for the entire period and the financial leverage shall not exceed 1.5 during the financing period.

#### 17. Deferred tax 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 consolidated financial statements.

Change in deferred tax assets and liabilities during the year is as follows:

	Balance at 1 September 2022	Expense/ (Income) charged to the statement of profit or loss during the year	Balance at 31 August 2023
<b>Liabilities</b>			
Fixed assets	17,066,443	(516,265)	16,550,178
Fixed assets - arising from business combination	16,035,564	(709,552)	15,326,012
Intangible assets - arising from business combination	67,129,228	-	67,129,228
<b>Assets</b>			
Lease liability and right-of-use assets	-	(2,184,397)	(2,184,397)
<b>Total liabilities</b>	<b>100,231,235</b>	<b>(3,410,214)</b>	<b>96,821,021</b>

# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

### 17. Deferred tax liabilities (continued)

	Balance at 1 September 2021	Expense/ (Income) charged to the statement of profit or loss during the year	Balance at 31 August 2022
<b>Liabilities</b>			
Fixed assets	16,259,417	807,026	17,066,443
Fixed assets - arising from business combination	17,639,305	(1,603,741)	16,035,564
Intangible assets - arising from business combination	67,129,228	-	67,129,228
<b>Total liabilities</b>	<b>101,027,950</b>	<b>(796,715)</b>	<b>100,231,235</b>

### 18. Provisions

	Lawsuits provisions	Tax provisions	Total
<b>Balances as of 1 September 2021</b>	<b>1,420,000</b>	<b>4,332,805</b>	<b>5,752,805</b>
Provisions used during the year	(157,818)	(739,130)	(896,948)
<b>Balances as of 31 August 2022</b>	<b>1,262,182</b>	<b>3,593,675</b>	<b>4,855,857</b>
Provisions used during the year	-	(125,141)	(125,141)
<b>Balances as of 31 August 2023</b>	<b>1,262,182</b>	<b>3,468,534</b>	<b>4,730,716</b>

### 19.A) Trade and other payables

	2023	2022
Amounts payable in relation to acquiring a plot of land	349,423,733	67,992,964
Accrued expenses	68,176,473	27,249,080
Trade payable	27,420,953	15,406,228
Retentions	13,004,832	4,191,669
Interest payable	10,044,003	-
Tax Authority	6,802,105	4,565,221
Social insurance authority	361,623	253,435
Other payables	8,857,914	15,735,638
	<b>484,091,636</b>	<b>135,394,235</b>
<b>Less: non-current portion</b>		
Interest payable	(10,044,003)	-
Amounts payable in relation to acquiring a plot of land – non-current portion*	(208,569,651)	(27,065,899)
	<b>265,477,982</b>	<b>108,328,336</b>

## **TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements - For the year ended 31 August 2023**

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

#### **19.A) Trade and other payables (continued)**

In April 2020, the group acquired a 26.5 acres plot of land in the new Beni Suef City as part of Nahda University expansion plan. The purchase price amounted to 90 million Egyptian pounds in addition to a 1.5% one-time administrative expenses added to the price. The payment terms was a 25% in advance with the remaining balance payable in 5 annual instalments, bearing interest at the corridor rate announced by the Central Bank of Egypt plus 2%. The company paid the first instalment amounting to EGP 13.5 million on November 4, 2020, and the second instalment amounting to EGP 13.5 in November 2021 and the third instalment amounting to EGP 13.5 million in November 2022. Borrowing costs capitalized in the projects under construction (Note No. 5) amounted to EGP 24.5 million. The Group will pay the remaining amount of the land purchase price with a total of EGP 27.1 million over two remaining annual instalments in addition to accrued interest amounted to EGP 5.7 million.

On December 30, 2020, the group paid a down payment of 63.7 million Egyptian pounds to purchase the land of Nahda University current campus. The Group signed the purchase contract with Beni Suef Governorate on January 17, 2021 for a total purchase price of EGP 109 million; 105 million pounds land price plus 4 million pounds of administrative fees. The company paid 63.7 million Egyptian pounds (down payment and administrative fees), and shall pay the remaining EGP 45.2 million over two equal annual instalments, EGP 22.6 million each. The company paid the first instalment amounting to EGP 22.6 million in November 2021, and the last instalment amounting to EGP 22.6 million in November 2022.

On 3 August 2021, the group entered into a tri-party agreement with Palm for Urban Development and Palm Hills Developments for the purchase of a plot of land with a total area of SQM 149,189 in the 6th of October City for the purposes of establishing Badya University. The purchase price amounted to 417.7 million Egyptian pounds. The group has paid an amount of EGP 60 million in advance with the remaining balance payable through 10 equal installments starting 6 months after the approval of the Cabinet of National and Private Universities. On 30 March 2023, Taaleem and Palm Hills Developments announced that the Cabinet has approved Badya University's file and accordingly the agreed upon payment schedule became effective and the first installment for this plot of land is to be payable on 30 September 2023.

On 10 August 2021, the Group has also entered into another tri-party agreement with Palm for Urban Development and Palm Hills Developments for the purchase of a plot of land with a total are of SQM 14,015 in the 6th of October City for the purposes of establishing a teaching hospital. The purchase price amounted to 39.2 million Egyptian pounds payable through 2 equal installments, the first and the second installment is to be paid 6 months and 12 months respectively after the approval of the Cabinet of National and Private Universities. On 30 March 2023, Taaleem and Palm Hills Developments announced that the Cabinet has approved Badya University's file and accordingly the agreed upon payment schedule became effective and the first installment for this plot of land is to be payable on 30 September 2023.

The land and its related liability are both recorded at the present value of the future payments to be made discounted at the Company's incremental borrowing rate for the discounted amount to be EGP 346,889,848 and the interest amount to be of EGP 110,081,352.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 19.B) Deferred revenue:

Deferred revenue represents, the revenues collected from the university students for the academic year 2023-2024 amounting to EGP 222,859,166 for which education services have not yet been provided as of 31 August 2023. These amounts will be amortized throughout the educational process from the date of commencement of the academic year 2023-2024.

The following table shows the movement of deferred revenues at the date of the consolidated statement of financial position:

	2023	2022
<b>Balance at the beginning of the year</b>	<b>88,754,087</b>	<b>31,226,158</b>
Collected during the year	887,792,015	657,820,222
Revenue recognised during the year	(753,686,936)	(600,292,293)
<b>Balance at year end</b>	<b>222,859,166</b>	<b>88,754,087</b>

#### 20. Lease liability

Liability represents current value for lease liability related to managerial quarter of the Group, building, and car parking, and it has been evaluated with current value of contractual lease payments discounted at an incremental borrowing rate range between 10.75% and 17.25%.

	31 August 2023	31 August 2022
<b>Current Value</b>		
Less than one year	12,455,217	9,621,204
More than one year	31,445,468	35,379,750
	<b>43,900,685</b>	<b>45,000,954</b>

The lease movements are presented as follows:

	31 August 2023	31 August 2022
<b>Balance at the beginning of the year</b>	<b>45,000,954</b>	-
The effect of applying the change in Standard 49 "Lease Contracts"	-	48,712,171
Addition during the year	8,568,896	-
<b>Current Value</b>	<b>53,569,849</b>	<b>48,712,171</b>
Add: interest charged during the year	5,536,324	4,831,694
Less: lease payments during the year	(15,205,488)	(8,542,911)
<b>Lease liabilities at 31 August 2023</b>	<b>43,900,685</b>	<b>45,000,954</b>

# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

### 20. Lease liability (continued)

The lease commitments are as follows:

	31 August 2023	31 August 2022
Less than 6 months	8,330,410	12,703,858
From six months to one year	8,453,708	42,744,966
From 1 year to 5 years	37,953,111	1,985,743
	<b>54,737,229</b>	<b>57,434,567</b>

### 21. Current income tax liability

	2023	2022
Balance at the beginning of the year	70,057,848	55,124,894
Current income tax for the year	90,443,758	69,936,066
Paid during the year	(70,190,195)	(55,003,112)
	<b>90,311,411</b>	<b>70,057,848</b>

### 22. Put option liability

	2023	2022
Put option – Egyptian International Higher Education S.A.E.	481,548,501	-
	<b>481,548,501</b>	<b>-</b>

The group has written put options over the Non-controlling interests of its subsidiary Egyptian International Higher Education S.A.E. which permit the holder to sell their shares back to the group at their fair value on a specified date. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within liabilities with a corresponding charge directly to equity. The charge to equity is recognised as written put options over non-controlling interests, adjacent to the parent equity in the Group's net assets.

The present value of the redemption amount and the change in the fair value of the shares are subsequently accreted through put options reserve and put option liability up to the redemption amount that is payable at the date at which the option first becomes exercisable.

In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

### 23. Revenues

	2023	2022
Tuition fees	714,122,094	594,793,073
Student housing subscription	6,754,167	5,980,631
Bus subscription	214,491	108,419
Other educational fees	28,767,650	16,975,528
	<b>749,858,402</b>	<b>617,857,651</b>

### 24. Operating costs

	2023	2022
Salaries and wages	87,936,856	74,647,334
Depreciation	45,675,877	49,777,691
Educational expenses	45,129,238	34,578,418
Governmental fees	13,379,479	11,251,289
Right of use assets depreciation	11,593,539	9,879,740
Utilities expenses	9,482,741	8,837,408
Amortization expenses	778,351	778,116
Other expenses	13,885,944	11,644,043
	<b>227,862,025</b>	<b>201,394,039</b>

### 25. General and administrative expenses

	2023	2022
Salaries and wages	58,560,134	45,864,789
Professional fees	21,681,199	10,466,119
Value added tax on management fees	14,936,549	14,936,562
Security and cleaning	10,818,606	10,068,311
Social insurance	8,240,502	7,256,231
Advertising expenses	8,184,037	8,515,032
Maintenance fees	7,605,053	4,023,350
Board meeting attendance	7,440,000	5,500,000
Employee stock ownership plan expense	3,741,722	-
Depreciation expense	3,130,412	1,287,039
Telephone and fax expense	3,027,205	3,036,866
Rent expense *	2,314,728	2,124,040
Other expenses	16,853,936	14,063,719
	<b>166,534,083</b>	<b>127,142,058</b>

\* These rent amounts are represented by lease contracts which are less than one year or of a low value.

# TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

### 26. Expenses by nature

	2023	2022
Salaries and wages	146,496,990	120,512,123
Depreciation expense	48,806,289	51,064,730
Educational activities expenses	38,523,824	28,163,277
Professional fees	21,681,199	10,466,119
VAT on management fees	14,936,549	14,936,562
Governmental fees	13,379,479	11,251,289
Right of use assets depreciation	11,593,538	9,879,740
Utilities expenses	9,482,741	8,871,908
Social insurance	8,240,502	7,256,231
Advertising expenses	8,184,037	8,515,032
Transportation and travel expenses	8,065,493	5,796,863
Maintenance fees	7,605,053	4,023,350
Board meeting attendance	7,440,000	5,500,000
Cleaning, internet, and water	5,749,723	5,082,931
Security	5,068,882	4,985,380
Conference and camps expense	4,221,564	795,565
Employee stock ownership plan expense	3,741,722	-
Educational governmental fund subscription	3,415,645	3,300,000
Laboratory expense	3,189,769	3,115,141
Telephone and fax expense	3,027,205	3,036,866
Comprehensive medical insurance plan	2,339,337	1,963,392
Rent expense	2,314,728	5,009,322
Real estate tax	656,812	521,740
Amortization of prepaid expenses	570,665	570,665
Amortization of intangible assets	207,685	207,452
Community service expenses	135,230	1,329,916
Other expenses	15,321,443	12,380,503
	<b>394,396,108</b>	<b>328,536,097</b>

### 27. Finance income - net

	2023	2022
Interest income	34,318,247	14,794,966
Interest expenses	(6,875,553)	(8,292,617)
Foreign currency gain	228,435	30,662
	<b>27,671,129</b>	<b>6,533,011</b>

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 28. Income tax expense

	2023	2022
Deferred income tax (Note 17)	(3,410,214)	(796,715)
Current tax expense for the year	90,443,758	69,936,066
	<b>87,033,544</b>	<b>69,139,351</b>

#### 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	<b>386,486,374</b>	<b>299,337,002</b>
Income tax based on tax rate	86,959,434	67,350,825
Non-deductible expenses	74,110	1,788,526
	<b>87,033,544</b>	<b>69,139,351</b>
Effective tax rate	<b>22.5%</b>	<b>23.2%</b>

#### 29. Earnings per share

##### Basic:

Basic earnings per share is calculated by dividing:

- The profit attributable to the parent company, deducting all the distributions to employees and Board of directors (If any).
- The weighted average number of ordinary shares outstanding during the year represented the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued by the Group 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 attributable to owners of the parent company	297,108,871	228,463,668
Expected distribution to the employees	(6,747,712)	(7,723,928)
	<b>290,361,159</b>	<b>220,739,740</b>
Weighted average number of shares	730,250,000	730,250,000
Earnings per share	<b>0.40</b>	<b>0.30</b>

##### 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 decrease.

During the financial year ended 31 August 2023 the Group did not issue any potential ordinary shares that results in a dilution.



## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

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#### 30. Tax position

##### Taaleem Management Services Company

###### • 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 the consolidated financial statements.

From 1 September 2022 till 31 August 2023:

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

###### • Payroll tax

Financial years from the 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

###### • 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 2019 till year 31 August 2023:

- The Company has not been notified by any examination request

###### • 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 consolidated financial statements.

###### • 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.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 30. Tax position (continued)

##### Nahda University Company - LP

###### • Income tax

Period from inception till 31 August 2021

- The university has been inspected by the Egyptian Tax Authority and internal committees and all taxes have been paid.

Period from 1 September 2021 till 31 August 2023

- The tax returns were submitted on the due dates and the documents necessary to complete the inspection work are being prepared.

###### • Salaries tax

Period from inception till December 2019

- The university has been inspected by the Egyptian Tax Authority, and inspection differences have been settled.

Period from 2020 till 31 August 2023

- Salary tax is being deducted from employees and delivered regularly.

###### • Value added tax (VAT)

Financial years from 2016 till 31 August 2020:

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

From 1 September 2020 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.

###### • Withholding tax

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

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

###### • Stamp Tax

Period from inception till August 2020

- The university has been inspected by Egyptian Tax Authority; and inspection differences have been settled

Period from 2020 till 31 August 2023

- The University has not been notified of any inspections.

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

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 30. Tax position (continued)

##### • Profit distribution tax

Period from 2014 till August 2018

- The university has been inspected by Egyptian Tax Authority; and inspection differences have been settled

Period from 1 September 2018 till 31 August 2023

- The University has paid the total tax due and is under preparation for inspection.

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

#### Nahda University for Education and Management Services S.A.E.

##### • Income tax

Period from inception till 31 August 2022

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

From 1 September 2022 till 31 August 2023

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

##### • Salaries tax

Period from inception till 31 August 2023

- No tax inspection has been done since the establishment date until the date of the consolidated financial statements. However, the company has no employees until the date of the consolidated financial statements.

##### • Stamp Tax

Period from inception till 31 August 2023

- No tax inspection has been done since the establishment date until the date of the consolidated financial statements.

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

#### Nahda Education Services S.A.E.

##### • Income tax

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

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

##### • Payroll tax

Financial years from the date of inception till 31 August 2022:

- The Company has been inspected from the establishment date until 31 August 2022 and is in the process of settling the final amounts

From 1 September 2022 till 31 August 2023

- The Company has not been notified by any examination request for wage and salary tax for the years mentioned above till the date of the consolidated financial statements.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

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#### 30. Tax position (continued)

- **Stamp duty**

Financial years from year 2015 till 31 August 2023:

- The Company has not been notified by any examination request for stamp duty for the years mentioned above till the date of the consolidated financial statements.

- **Withholding tax**

Financial years from the date of inception till August 2023:

- The Company has not been notified by any examination request for stamp duty for the years mentioned above till the date of the consolidated financial statements.

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

#### Egyptian International Company for Higher Education S.A.E.

- **Income tax**

Financial years from the date of inception till 31 August 2022:

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

From 1 September 2022 till 31 August 2023

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

- **Payroll tax**

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

- The tax is deducted and paid on a regular basis

- **Stamp duty**

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

- The Company has not been notified by any examination request for stamp duty for the years mentioned above till the date of the consolidated financial statements.

- **Withholding tax**

Financial years from the date of inception till August 2023:

- The Company has not been notified by any examination request for stamp duty for the years mentioned above till the date of the consolidated financial statements.

## TAALEEM MANAGEMENT SERVICES COMPANY S.A.E AND ITS SUBSIDIARIES

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

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

#### 31. Capital commitments

Capital commitments contracted on the date of the consolidated financial statements and have not been recognized as liabilities to the Group:

	2023	2022
Capital commitment*	494,800,000	214,863,607
	<b>494,800,000</b>	<b>214,863,607</b>

\* The capital commitments on 31 August 2023 represent the contract to establish outpatient clinics for the faculty Physiotherapy, University hospital, and Fine arts & Architecture building, as well as Badya's phase one construction contract.

#### 32. 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.