

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Condensed Consolidated
Financial Statements
For the three-month period ended 31 October 2020
together with the Independent Auditor's Review Report

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Financial Statements (Unaudited)
For the three-month period ended 31 October 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF ATAA EDUCATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Ataa Educational Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 October 2020 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

OTHER MATTER

The consolidated financial statements of the Company for the year ended 31 July 2020 were audited by another auditor, who expressed an unmodified opinion dated 27 October 2020.

For Al-Bassam & Co.
Riyadh, Kingdom of Saudi Arabia


Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337



Date: 24 Rabi Al-Thani 1442H
Corresponding: 9 December 2020

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Financial Position
As at 31 October 2020
(Saudi Riyals)

	Note	31 October 2020 (Unaudited)	31 July 2020 (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	497,272,207	499,583,758
Investment properties	5	37,668,383	37,752,049
Intangible assets	6	377,478,343	377,577,329
Right-of-use assets	7	252,010,894	259,028,942
Total non-current assets		1,164,429,827	1,173,942,078
Current assets			
Inventories		1,588,495	803,452
Accounts receivable	8	60,124,987	76,924,636
Prepayments and other receivables		22,739,533	14,526,429
Cash and cash equivalents		18,306,269	2,394,383
Total current assets		102,759,284	94,648,900
Total assets		1,267,189,111	1,268,590,978
EQUITY AND LIABILITIES			
Equity			
Share capital	9	400,000,000	400,000,000
Share premium	9-1	209,594,000	209,594,000
Statutory reserve	10	31,142,800	31,142,800
Actuarial reserve		(6,161,472)	(6,313,678)
Retained earnings		119,542,584	114,625,797
Total equity		754,117,912	749,048,919
LIABILITY			
Non-current liabilities			
Lease liabilities on right-of-use assets	7	254,380,440	257,890,737
Borrowings	11	31,787,323	41,426,855
Deferred revenue of government grants	12	1,785,614	1,899,881
Employees' post-employment benefits		33,754,015	33,363,510
Total non-current liabilities		321,707,392	334,580,983
Current liabilities			
Borrowing	11	95,774,032	115,903,299
Unearned revenue		35,834,458	5,448,384
Accounts payables		3,446,838	5,050,022
Deferred revenue of government grants	12	498,801	512,712
Accruals and other payables		20,295,162	23,776,288
Provision for Zakat	13-2	2,085,707	1,810,241
Lease liabilities on right-of-use assets	7	21,531,976	23,320,268
Due to a related party	14-1	11,896,833	9,139,862
Total current liabilities		191,363,807	184,961,076
Total liabilities		513,071,199	519,542,059
Total equity and liabilities		1,267,189,111	1,268,590,978

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

Adel Nader

Chief Executive Officer

Ibrahim Al-Turki

Chairman of Board of Directors

Tariq bin Othman Al-Qasabi

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Profit or Loss
For the three-month period ended 31 October 2020
(Saudi Riyals)

	Note	31 October 2020 (Unaudited)	31 October 2019 (Unaudited)
Revenue		61,226,087	81,110,124
Cost of revenue		(47,517,792)	(55,584,696)
Gross profit		13,708,295	25,525,428
General and administrative expenses		(4,889,891)	(4,950,449)
Impairment of accounts receivable		(958,159)	(2,071,594)
Other income	15	1,998,611	3,574,593
Operating profit		9,858,856	22,077,978
Finance costs	16	(4,666,603)	(5,407,272)
Net income for the period before Zakat		5,192,253	16,670,706
Zakat	13-2	(275,466)	(418,290)
Net income for the period		4,916,787	16,252,416
Earning per share			
Basic and diluted earnings per share as per income for the period attributable to the shareholders of the Group	17	0.12	0.41

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

Adel Nader

Chief Executive Officer

Ibrahim Al-Turki

Chairman of Board of Directors

Tariq bin Othman Al-Qasabi

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Comprehensive Income
For the three-month period ended 31 October 2020
(Saudi Riyals)

	31 October 2020	31 October 2019
	(Unaudited)	(Unaudited)
Net income for the period	4,916,787	16,252,416
Other comprehensive income:		
Items that will not be reclassified subsequently to the statement of profit or loss:		
Actuarial gains /(losses) on re-measurement of employees' post-employment benefits	152,206	(604,950)
Total comprehensive income for the period	5,068,993	15,647,466

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer	Chief Executive Officer	Chairman of Board of Directors
Adel Nader	Ibrahim Al-Turki	Tariq bin Othman Al-Qasabi

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

Interim Consolidated Statement of Changes in Equity**For the three-month period ended 31 October 2020**

(Saudi Riyals)

	<u>Share capital</u>	<u>Share Premium</u>	<u>Statutory reserve</u>	<u>Actuarial reserve</u>	<u>Retained earnings</u>	<u>Total</u>
For the three-month period ended 31 October 2019						
Restated balance as at 31 July 2019 (audited)	400,000,000	209,594,000	23,562,892	832,500	84,687,107	718,676,499
Net income for the period	-	-	-	-	16,252,416	16,252,416
Other comprehensive loss for the period	-	-	-	(604,950)	-	(604,950)
Balance at 31 October 2019 (unaudited)	400,000,000	209,594,000	23,562,892	227,550	100,939,523	734,323,965
For the three-month period ended 31 October 2020						
Balance as at 31 July 2020 (audited)	400,000,000	209,594,000	31,142,800	(6,313,678)	114,625,797	749,048,919
Net income for the period	-	-	-	-	4,916,787	4,916,787
Other comprehensive income for the period	-	-	-	152,206	-	152,206
Balance at 31 October 2020 (unaudited)	400,000,000	209,594,000	31,142,800	(6,161,472)	119,542,584	754,117,912

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

Adel Nader

Chief Executive Officer

Ibrahim Al-Turki

Chairman of Board of Directors

Tariq bin Othman Al-Qasabi

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Cash Flows
For the three-month period ended 31 October 2020
(Saudi Riyals)

	Note	31 October 2020 (Unaudited)	31 October 2019 (Unaudited)
Cash flows from operating activities			
Net income for the period before Zakat		5,192,253	16,670,706
Adjustments for:			
Depreciation of property and equipment	4	4,006,164	4,168,849
Depreciation of Investment properties	5	83,666	83,536
Amortization of intangible assets	6	98,986	98,716
Depreciation of right-of-use assets	7	7,018,048	5,566,949
Gain from sell of property and equipment		(20,731)	-
Impairment of accounts receivables	8-1	958,159	2,071,594
Finance costs	16	4,666,603	6,285,848
Provision for employees' post-employment benefits		1,689,564	1,084,350
		23,692,712	36,030,548
Changes in operating assets and liabilities			
Inventory		(785,043)	5,666
Accounts receivables		15,841,490	(10,925,753)
Prepayments and other receivables		(8,213,104)	10,123,803
Accounts payables		(1,603,184)	(1,679,156)
Unearned revenue		30,386,074	54,479,132
Due to a related party		2,756,971	(3,949,589)
Accruals and other payables		(3,481,126)	377,019
Cash generated from operating activities		58,594,790	84,461,670
Employees' post-employment benefits paid		(1,146,853)	(1,817,598)
Finance costs paid		(2,261,129)	(3,644,506)
Net cash generated from operating activities		55,186,808	78,999,566
Cash flows from investing activities			
Additions to property and equipment	4	(1,696,382)	(5,091,779)
Proceeds from sale of property and equipment		22,500	-
Net cash used in investing activities		(1,673,882)	(5,091,779)
Cash flows from financing activities			
Proceeds from loans	11-2	13,288,888	166,716
Repayments of loans	11-1/11-2	(42,747,634)	(27,346,405)
Lease liabilities paid		(8,142,294)	(3,748,294)
Net cash used in financing activities		(37,601,040)	(30,927,983)
Net change in cash and cash equivalents		15,911,886	42,979,804
Cash and cash equivalents at beginning of the period		2,394,383	7,053,316
Cash and cash equivalents at the end of the period		18,306,269	50,033,120
Supplemental non-cash transactions			
Transferred from projects under construction to property and equipment	4	2,288,953	80,649,890
Right-of-use assets against lease liabilities		-	226,651,460
Transferred from projects under construction to intangible assets	4	-	1,570,880
Actuarial gains / (losses) on measurement of employee's post-employment benefits		152,206	(604,950)

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

Adel Nader

Chief Executive Officer

Ibrahim Al-Turki

Chairman of Board of Directors

Tariq bin Othman Al-Qasabi

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the three-month period ended 31 October 2020**

(Saudi Riyals)

1. LEGAL STATUS AND OPERATIONS

ATAA Educational Company (the "Company") is a Saudi Joint Stock Company, incorporated under the Regulations of Companies laws in the Kingdom of Saudi Arabia and was registered in Riyadh as a Saudi Joint Stock Company under Commercial Registration No. 1010186435 dated 10 Rabi' al-Awwal 1424 H (corresponding to 11 May 2003), under the Ministerial Resolution No. (71/s) on 10 Rabi' al-Awwal 1431 H (corresponding to 24 February 2010). On 29 Thul-Qi'dah 1440 H (corresponding to 31 July 2019) the Company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4292).

The Company's principal activities include the establishment, own, manage, and operate, national and international schools (kindergarten, primary, middle and secondary schools) for boys and girls (General and Quran memorization schools) and colleges and universities inside and outside the Kingdom of Saudi Arabia .Establishing ,managing ,and maintaining training centers and purchasing, developing, and managing existing schools and educational and training facilities. And to own, manage, and operate educational and training institutes, own and manage vocational training centers, and establish, own, and manage special education schools. The Company carries out its activities according to the followed regulations and after obtaining the necessary licenses from the competent authorities.

The Company's head office is located at the following address:

P.O. Box 87527

Riyadh 11652

Kingdom of Saudi Arabia

In accordance with the Company, By-Laws the financial year of the Company commences on 1 August and ends at 31 July.

The accompanying interim condensed consolidated financial statement include the company account and its branches as follows:

<u>Branch name</u>	<u>CR No.</u>
Al-Rowad Schools (Izdihar branch)	1010362199
Al-Rowad Schools (Al Rawabi branch)	1010275978
Al-Rowad Schools (Al Mansoura branch)	1010397500
Al-Rowad Private School, (Al Rawda branch)	1010203258
Al-Rowad School (Ishbilia branch)	1010469726
Rowad Ishbilia International School Ataa Company branch	1010450854
Al Fikr Private School	1010192540
Middle East International School	1010192541
New Middle East International School	1010250798
Modern Middle East International School	1010352008
Al Sulaymaniyah International Private School	1010196919
Ataa for Maintenance and Operation Company Branch	1010452144

These interim condensed consolidated financial statements include the financial statements of the Company, its branches and the following subsidiaries with directly or indirectly ownership of 100% of their share capital (collectively referred to as the "Group"):

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Legal form</u>	Effective shareholding	
			<u>As on 31 October 2020</u>	<u>As on 31 July 2020</u>
Al Nokhbah Educational Company (1)	Kingdom of Saudi Arabia	A limited liability company	100%	100%
Al Oruba International Company for Education Services (2)	Kingdom of Saudi Arabia	A limited liability company	100%	100%
Al-Rowad Company for Supporting Services (3)	Kingdom of Saudi Arabia	A limited liability company	100%	100%

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 October 2020

(Saudi Riyals)

1. **LEGAL STATUS AND OPERATIONS (CONTINUED)**

- (1) The Nokhbah Educational Company (“the Company”) is a limited liability company, established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010231261 on 26 Rabi Al-Awwal, 1428 H corresponding to 14 April 2007.

The principal activity of the company is to own private schools for all levels – kindergarten / preparatory/ primary/ middle/ secondary for boys and girls, wholesale and retail trade in educational materials and aids, and the company exercises its activity after obtaining the necessary licenses from the competent authorities.

The company carries out its activities through (Al-Kharj Branch), as follows:

Name of branch	CR No.
The Nokhbah Schools (Al-Ishraq previously)	1011010525

- (2) Al Oruba International Company for Education Services (“the Company”) is a limited liability company, established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010259834 on 25 Dhual-Hijjah 1429 H corresponding to 24 December 2008.

The principal activity of the company is to establish American curriculum schools, establish manage and operate international schools, language and translation institutes, educational training centers, private institutes and colleges, and computer centers.

- (3) Al-Rowad Company for Supporting Services (“the Company”) is a limited liability company established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010299500 on 19 Muharram 1432 H corresponding to 25 December 2010.

The principal activity of the company is in general contracting for buildings, establishing schools operating school canteens, and trading in stationery, furniture and building materials.

On 22 Jumada Al-awwal 1439 H corresponding to 7 February 2018 the Company opened a new branch and registered in Riyadh under Commercial Registration No. 1010933937 and the principal activity of the branch is in maintenance and operation.

In reference to the events related to the spread of Corona virus (Covid-19) and its repercussions on the business sector locally and internationally, the Group is committed in applying the recent directives of the relevant authority. The Group has taken the necessary measures to ensure the health and safety of the group employees and contribute to limiting the spread of the pandemic. The Group seeks to benefit from the initiative and decisions adopted and presented by the Kingdom in order to mitigate the negative effects of Covid-19. The Group was affected similarly to other educational companies during the three-months period ending on 31 October 2020, due to the difficulty in determining the time period for the pandemic, it is difficult for the group to determine the financial impact of the pandemic, however, the Group will continue to monitor the situation in this regard and any changes will be reflected in future reporting periods.

2. **BASIS OF PREPARATION AND MEASUREMENT**

2-1 Basis of compliance

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants (“SOCPA”). and should be read in conjunction with the Group's annual financial statements as of and for year ended 31 July 2020. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual statements to prepare a complete set of financial statements; however, the accounting policies and explanatory notes are mentioned to explain events and the important transaction to understand the changes in the Group’s financial position and its performance since the last annual financial statement of the Group.

The results for the three-months period ending 31 October 2020 are not necessarily indicative of the results that can be expected for the financial year ending 31 July 2021.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 October 2020

(Saudi Riyals)

2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-2 Basis of measurement

These interim condensed consolidated financial statements have been prepared on historical cost basis except for employees' benefits obligations and the borrowings granted by the ministry of finance, as they are recognized at the present value of future obligation using the projected unit credit method, using the accrual basis of accounting and going concern concept.

As at 31 October 2020, the Group's current liabilities exceeded its current assets by SR 88,604,523 (31 July 2020: SR 90,312,176) on account of the balance of borrowing and right-of-use liabilities amounting to SR 95,774,032 SR 21,531,976 respectively (31 July 2020: SR 115,903,299 SR 23,320,268). Despite the deficit in working capital, the Group generated for the operating cash flow of SR 55,186,808 which is an indication of the Group's ability to meet its obligations. The management also believes that it is able to benefit from new facilities if required. Accordingly, the interim condensed consolidated financial statements have been prepared on the basis of the going concern concept, the borrowings continue to be classified according to original payment term.

2-3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals, which is the functional currency of the Group, all figure have been rounded off to nearest riyals unless otherwise mentioned.

2-4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 July 2020. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group maintains less than the majority of voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the over voting holders of the investee
- Rights arising from other contractual arrangements
- The Groups voting rights and potential rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses its control the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date that the Group gains until the date the Group ceases to control over subsidiary.

Profit or loss and each component of consolidated comprehensive income are attributed to shareholders of the parent company of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full upon consolidation.

A change in the ownership interest of subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 October 2020

(Saudi Riyals)

2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-4 Basis of consolidation (continued)

- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in consolidated statement of profit or loss
- Reclassifies the parent company share of components previously recognized in the comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2-5 Use of estimates and assumptions

The preparation of these interim condensed consolidated financial statements required management to make judgments, estimates and assumptions that affect the application of policies and reported amounts, liabilities, revenues, and expenses. Actual results may differ from these estimates.

The significant estimates made by management when applying the Company's accounting policies and the significant sources of estimation uncertainties were the same as those shown in the last annual financial statements.

As explained in note 1 above, the Group has reviewed the main sources of estimates of uncertainty that have been disclosed in the last annual financial statements against the backdrop of the Covid-19 pandemic. Management will continue to monitor the situation and any required changes that will be reflected in future reporting periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the interim condensed consolidated financial statements are in line with the policies followed in preparing the annual consolidated financial statements of the Group for the year ended 31 July 2020.

3-1 New standards, amendment to on standards and interpretations

There are no new standards that have been issued, however, a number of amendments to standards which are effective from 1 January 2020, but they do not have a material impact on the Groups interim condensed consolidated financial statements except for the bellow.

In the current period, the company has adopted a new interpretation issued by the International Reporting Interpretations Committee that is voluntary for application in annual periods beginnings on or after 1 January 2020.

As a practical means, the adjustment allows renters not to assess whether the specific rent concessions that is occurring as a direct result of the COVID-19 pandemic are rent adjustments and instead calculate these rent concessions as if they weren't rent adjustments. The group has applied a practical way to lease contracts that meets the conditions. The rent concessions of SR 380,000 for the lease contract is recognized in the interim consolidated statement of profit or loss over the period of concessions Note (15).

3-2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 October 2020

(Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-2 Fair value measurement (continued)

Fair value measurement of a non-financial assets takes into account a market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities can be obtained at the measurement date.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable (such as prices) or indirectly (derived from prices).

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (unobservable inputs).

For assets and liabilities that are recognized in the interim condensed consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group has determined the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Group analyses the changes in the values of assets and liabilities required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the primary inputs applied in the latest valuation by corresponding the information to contracts and other relevant documents in the evaluation. The Group also compares the change in the fair value for each asset and liability with relevant external sources to determine whether the change is reasonable. For fair-value disclosures, the Group has determined classes of assets and liabilities based on nature, characteristics, and risks of the asset or liability and the fair value hierarchy level as explained above.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three-month period ended 31 October 2020

(Saudi Riyals)

4. PROPERTY AND EQUIPMENT

	31 October 2020 (unaudited)						31 July 2020 (audited)	
	Lands	Buildings and Construction	Equipment and electric tools	Motor vehicles	Furniture and fixture	Projects in progress	Total	Total
Cost								
At beginning of the period / year	154,810,372	366,915,109	33,203,421	28,942,832	35,766,164	5,108,082	624,745,980	626,850,888
Additions during the period / year	-	-	84,355	-	908,787	703,240	1,696,382	15,175,264
Transferred from projects in progress during the period / year	-	2,288,953	-	-	-	(2,288,953)	-	-
Transferred from project in progress to intangible assets during the period / year	-	-	-	-	-	-	-	(1,570,880)
Disposal during the period / year	-	-	(113,870)	-	(560,927)	-	(674,797)	(15,709,292)
At the end of the period / year	154,810,372	369,204,062	33,173,906	28,942,832	36,114,024	3,522,369	625,767,565	624,745,980
<u>Accumulated depreciation</u>								
At beginning of the period / year	-	45,472,737	25,807,802	27,399,814	26,481,869	-	125,162,222	124,523,503
Charged for the period / year	-	2,175,365	976,340	135,517	718,942	-	4,006,164	16,271,705
Disposal for the period / year	-	-	(113,801)	-	(559,227)	-	(673,028)	(15,632,986)
At the end of the period / year	-	47,648,102	26,670,341	27,535,331	26,641,584	-	128,495,358	125,162,222
Net book value:								
As at 31 October 2020	154,810,372	321,555,960	6,503,565	1,407,501	9,472,440	3,522,369	497,272,207	
As at 31 July 2020	154,810,372	321,442,372	7,395,619	1,543,018	9,284,295	5,108,082		499,583,758

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4. PROPERTY AND EQUIPMENT (CONTINUED)

- As of 31 October 2020, lands and buildings valued at SR 132.1 million (31 July 2020: SR 132.2 million) are pledged as collateral in exchange for obtaining borrowing facilities as shown in Note (10).
- Property and equipment include buildings and constructions built on leased lands from ALBR Charity in Riyadh and Charity Centre for Teaching the Holy Qur'an And Its Science. These lands represent 60% of the land of the Al-Rowad Schools in Al-Izdihar Complex, and the net carrying amount of these buildings reached 36,069,484 Saudi Riyals. The lease agreement with the ALBR Charity provides for ALBR Charity's entitlement to 30% of any buildings or expansions that the group undertakes on these leased lands. Therefore, the entire value of additions and improvements made to the buildings has been included, with a total cost of 48,844,558 Saudi Riyals, including ALBR Charity's share of 14,653,367 Saudi Riyals, given that the group incurred these costs and has the right to benefit from them under the contract.
- The annual rental value to ALBR Charity is 2,500,000 Saudi riyals ,and the Charity Centre for Teaching the Holy Qur'an And Its Science is 3,796,587Saudi Riyals.
- The lease contract with the Charity Centre for Teaching the Holy Qur'an And Its Science expires on 30\12\1451H corresponding to 3 May 2030. These buildings are depreciated over the expected useful life of 50 years, which exceeds the term of the lease contracts as the management believes ,considering the information and other data available to it ,that it is able to renew the lease contracts in accordance with the circumstances and needs of the activity.
- As of 31October 2020, projects under construction amounting SR 3,522,369 (31 July 2020 :SR 5,108,082) are represented in construction projects of an educational complex located in Izdihar district and buildings development works.

5. INVESTMENT PROPERTIES ,NET

	31 October 2020 (unaudited)			31 July 2020 (audited)
	Lands	Buildings	Total	Total
<u>Cost</u>				
Balance at the beginning of the period / year	22,380,500	16,616,375	38,996,875	38,996,875
Balance at the end of the period / year	22,380,500	16,616,375	38,996,875	38,996,875
<u>Accumulated depreciation</u>				
Balance at the beginning of the period / year	-	1,244,826	1,244,826	912,499
Charged for the period / year	-	83,666	83,666	332,327
Balance at the end of the period / year	-	1,328,492	1,328,492	1,244,826
<u>Net book value:</u>				
As at 31 October 2020	22,380,500	15,287,883	37,668,383	
As at 31 July 2020	22,380,500	15,371,549		37,752,049

(5.1) These lands, and buildings are mortgaged as security in return for obtaining certain credit facilities, as disclosed in Note (11).

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6. INTANGIBLE ASSETS

	31 October 2020 (unaudited)			31 July 2020 (audited)
	Goodwill*	Computer programs	Total	Total
<u>Cost</u>				
Balance at the beginning of the period / year	376,399,169	1,570,880	377,970,049	376,399,169
Transferred from property and equipment	-	-	-	1,570,880
Balance at the end of the period / year	376,399,169	1,570,880	377,970,049	377,970,049
<u>Accumulated amortization</u>				
Balance at the beginning of the period / year	-	392,720	392,720	-
Charged for the period / year	-	98,986	98,986	392,720
Balance at the end of the period / year	-	491,706	491,706	392,720
<u>Net book value:</u>				
As at 31 October 2020	376,399,169	1,079,174	377,478,343	
As at 31 July 2020	376,399,169	1,178,160		377,577,329

*Goodwill represents the difference between the net assets transferred to the group from the merging and acquired companies and the value of those companies at the date of the acquisition.

7. RIGHT-OF-USE ASSETS, NET

	31 October 2020 (unaudited)	31 July 2020 (audited)
Right-of-use asset at the beginning of the period / year	284,677,430	226,866,784
Assets recognized during the period / year	-	57,810,646
Balance at the end of period / year	284,677,430	284,677,430
<u>Accumulated depreciation</u>		
Balance at the beginning of the period / year	25,648,488	-
Charged during the period / year	7,018,048	25,648,488
Balance at the end of period / year	32,666,536	25,648,488
Net book value as at 31 October 2020	252,010,894	
Net book value as on 31 July 2020		259,028,942
<u>Lease liabilities on right-of-use assets</u>		
	31 October 2020 (unaudited)	31 July 2020 (audited)
Lease liabilities as at the beginning of the period / year	281,211,005	244,518,926
Additions during the period / year	-	57,810,646
Interest charged during the period / year (note 16)	2,843,705	11,364,021
Paid during the period / year	(7,235,735)	(20,044,724)
Due to the lessor and did not paid until the end of the period / year*	(906,559)	(12,437,864)
	275,912,416	281,211,005

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7. RIGHT-OF-USE ASSETS, NET (CONTINUED)

*Due to lessors and has not been paid yet classifies as follows:

As at 31 October 2020, an amount of SR 906,559 is in accrued account due to related parties to the account of Dr. Ahmed bin Nasser AL-Mutaib (31 July 2020: amounting to SR 12,437,826 which is SR 8,939,864 in an account due to related parties to the account of Dr. Ahmed bin Nasser Al-Mutaib and SR 3,498,000 in an account payable to Prince Abdullah bin Musaed Al Saud account).

Lease liabilities recognized in the interim consolidated statement of financial position as follows:

	31 October 2020 (unaudited)	31 July 2020 (audited)
Non-current	254,380,440	275,890,737
Current	21,531,976	23,320,268
Lease liabilities under right-of-use assets	275,912,416	281,211,005

8. ACCOUNTS RECEIVABLES

	31 October 2020 (unaudited)	31 July 2020 (audited)
Accounts receivables	65,439,961	81,281,451
Provision for impairment in accounts receivables	(5,314,974)	(4,356,815)
	60,124,987	76,924,636

8-1 Provision for impairment in accounts receivables as follows:

	31 October 2020 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	4,356,815	1,959,308
Charged during the period / year	958,159	9,010,960
Used during the period / year	-	(6,613,453)
Balance at the end of the period / year	5,314,974	4,356,815

9. SHARE CAPITAL

The Group's authorized and paid capital is SR 400 million as at 31 October 2020 (31 July 2020: SR 400 million) divided into 40 million shares (31 July 2020: 40 million shares) with the value of 10 Saudi Riyals per share.

9-1 Premium

In accordance with the resolution of the Extraordinary General Assembly, which was held on 2 Dhul-Hijjah 1436 H corresponding to 15 September 2015 the company capital increase was approved amounting to SR 74.4 million by issuing new shares amounting to 7.4 million shares with a nominal value of 10 riyal per share and share premium of 28.17 Saudi Riyals per share, provided that the increase is developed in favour of the partners in JARIR National Schools Complex Company for Boys and Girls.

10. STATUTORY RESERVE

In accordance with the Group's By-laws and Saudi Arabian Regulations for Companies, 10% of the annual net income is transferred to the statutory reserve until such reserve equals 30% of share capital. The statutory reserve is not available for distribution; however, it can be used to increase the share capital after approval of the shareholders.

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11. BORROWINGS

Borrowings are represented as follows:

11-1 Loan from Ministry of Finance

On 5 Muharram 1436H (corresponding to 29 October 2014), the Group obtained a long-term facility from the Ministry of Finance amounting to of SR 19.03 million to finance contracting and construction works needed to build the educational complex in Mansoura District. This facility is repaid in ten annual installments after the grace period which is estimated as four years from the signing date of the agreement. The last installment of the loan is payable on 10 June 2028. This agreement has been granted without a margin or commission.

Collaterals

These facilities are secured by mortgage of the land of staff accommodation villa located in Al Rawabi District of SR 1,297,279 and the land located in Al Salam District of SR 20,099,200 Note (4).

Loans movement granted by the Ministry of Finance during the period / year is as follows:

	31 October 2020 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	15,230,400	17,134,200
Repayments during the period / year	(1,903,800)	(1,903,800)
Balance at end of the period / year	13,326,600	15,230,400

Movement in the present value of loans granted from the Ministry of Finance is as follows:

	31 October 2020 (unaudited)	31 July 2020 (audited)
Loan at the end of the period / year	13,326,600	15,320,400
<u>Less: deferred finance expenses</u>		
Balance at the beginning of the period / year	(2,412,593)	(2,978,813)
Finance expenses for the period / year	128,178	566,220
Balance at end of the period / year	(2,284,415)	(2,412,593)
Present value of loans at the end of the period / year	11,042,185	12,817,807

11-2 Borrowings granted from local banks

The Group signed facility agreements with several local banks in the form of Islamic Murabaha and conventional loans with a total of SR 504,600,000. These facilities were granted with profit margin and commission on the facilities determined by the rate of return on internal borrowings between Saudi banks (SIBOR) plus an agreed rate, these facilities are secured by lands and real estates with amounting SR 132,155,174 and (5) Promissory notes amounting SR 544,887,392, the agreements with banks contain bank covenants, such covenants are monitored on monthly basis by the management, in the case of a breach or a possible breach of these covenants, action are taken by the management to ensure that these conventions are fulfilled.

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11. BORROWINGS (CONTINUED)**11-2 Borrowings granted from local banks (continued)**

The movements of loans granted from local banks is as follows:

	31 October 2020 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	142,790,399	166,614,010
Finance that has been obtained during the period / year	13,288,888	106,928,543
Accrued finance expenses	1,283,717	1,721,948
Paid during the period / year	(40,843,834)	(130,752,154)
Total loans from local banks at the end of the period / year	116,519,170	144,512,347

Details of the loans are presented in the interim consolidated statement of financial position as at:

	31 October 2020 (unaudited)	31 July 2020 (audited)
Current portion from loans*	95,774,032	115,903,299
Non-current portion from loans*	31,787,323	41,426,855
	127,561,355	157,330,154

*Includes Ministry of Finance loan (Note 11-1)

12. DEFERRED REVENUE FROM GOVERNMENT GRANTS

	31 October 2020 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	2,412,593	2,978,813
Movements during the period / year	(128,178)	(566,220)
	2,284,415	2,412,593
Current portion from deferred government grants revenue	498,801	512,712
Non-current portion from deferred government grants revenue	1,785,614	1,899,881

13. ZAKAT PROVISION**13-1 Zakat status**

The Group companies submitted their declarations to the General Authority for Zakat and Tax ("GAZT") until the year ended 31 July 2020 and obtained a certificate from GAZT valid until 25 Rabi Al-Thani 1443H corresponding to 30 November 2021.

13-2 Zakat provision movement

	31 October 2020 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	1,810,241	1,673,699
Charged during the period / year	275,466	1,809,700
Paid during the period / year	-	(1,673,158)
Balance at end of the period / year	2,085,707	1,810,241

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14. RELATED PARTIES TRANSACTIONS AND BALANCE

The transactions with related parties are represents the rental value of educational complexes, the salaries. and remunerations of senior executives and directors that took place during the period between the Group and one of the shareholders, and between the Group and senior executives and director, and these transactions take place in the context of the Group's ordinary course of business and according to the same basis transaction with others. Transactions with related parties and the resulting balances are as follows:

	Nature of relationship	Nature of transaction	Saudi Riyals	
			31 October 2020	31 October 2019
Dr. Ahmed bin Nasser Al-Mutaib	Shareholder and BOD member	Leases	3,794,411	1,937,796
Al Qasabi Contracting Company Limited	Shareholder of the Company	Contracting services	-	1,602,921
		Salaries and compensations	1,128,100	1,223,420
Senior executives and director	Senior executives	Employee's post-employment benefits and employee's benefits	160,300	225,618

14-1 Due to a related party

	31 October 2020 (unaudited)	31 July 2020 (audited)
Dr. Ahmed bin Nasser Al-Mutaib	11,896,833	9,139,862
	11,896,833	9,139,862

15. OTHER INCOME

	31 October 2020	31 October 2019
Rental of administrative building and halls	757,221	775,320
Rental concessions	380,000	-
Book Sales	375,000	150,000
Government grants	337,678	432,807
Student activities	-	579,263
School uniform	-	629,971
Rental of Canteens	-	669,350
Others	148,712	337,882
	1,998,611	3,574,593

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16. FINANCE COSTS

	<u>31 October 2020</u>	<u>31 July 2020</u>
Finance costs	1,822,898	2,760,464
Interest on right-of-use assets liabilities (Note 7)	2,843,705	2,646,808
	<u>4,666,603</u>	<u>5,407,272</u>

17. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing income for the period attributable to the Group's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as basic earnings per share as the Group has no diluted instruments.

	<u>31 October 2020</u>	<u>31 October 2019</u>
Income for the period	4,916,787	16,252,416
Weighted average number of shares	40,000,000	40,000,000
	<u>0.12</u>	<u>0.41</u>

18. FINANCIAL INSTRUMENTS**18-1 Financial assets**

	<u>31 October 2020</u>	<u>31 July 2020</u>
Financial assets at amortized cost:		
Accounts receivable	60,124,987	76,924,635
Cash and cash equivalents	18,306,269	2,394,383
Total financial assets at amortized cost	<u>78,431,256</u>	<u>79,319,018</u>

18-2 Financial liabilities

	<u>31 October 2020</u>	<u>31 July 2020</u>
Financial liabilities at amortized cost:		
Loans	127,561,355	157,330,154
Accounts payable	3,446,838	5,050,022
Total financial liabilities at amortized cost	<u>131,008,193</u>	<u>162,380,176</u>
Current portion of financial liabilities	99,220,870	120,953,321
Non-current portion of financial liabilities	31,787,323	41,426,855
Total financial liabilities	<u>131,008,193</u>	<u>162,380,176</u>

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

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19. SEGMENT REPORTING

The Group's revenues of SR 61,226,087 are concentrated in tuition fees representing 100% of total revenues for the three-month period ended 31 October 2020 (three-month period ended 31 October 2019: SR 81,110,124). Accordingly, all the Group's assets and liabilities are dedicated for education sector.

Information related to operating segments of the Group mentioned below are regularly reported to Operating Decision Makers in the Group are described as follows:

- Private schools
- International schools
- Indian schools
- French schools

For the three-month period ended 31 October 2020

	<u>Private schools</u>	<u>International schools</u>	<u>Indian schools</u>	<u>French schools</u>	<u>Total</u>
Revenue	30,959,471	18,460,924	9,859,958	1,945,734	61,226,087
Cost of revenue	(25,455,539)	(13,264,623)	(7,406,640)	(1,390,990)	(47,517,792)
Gross profit	<u>5,503,932</u>	<u>5,196,301</u>	<u>2,453,318</u>	<u>554,744</u>	<u>13,708,295</u>
Property and equipment	412,930,694	75,556,231	7,540,284	1,244,998	497,272,207
Depreciation	<u>2,716,031</u>	<u>838,290</u>	<u>368,905</u>	<u>82,938</u>	<u>4,006,164</u>

For the three-month period ended 31 October 2019

	<u>Private schools</u>	<u>International schools</u>	<u>Indian schools</u>	<u>French schools</u>	<u>Total</u>
Revenue	49,892,393	21,532,622	7,377,879	2,307,230	81,110,124
Cost of revenue	(32,856,418)	(13,600,877)	(7,412,262)	(1,715,139)	(55,584,696)
Gross profit	<u>17,035,975</u>	<u>7,931,745</u>	<u>(34,383)</u>	<u>592,091</u>	<u>25,525,428</u>
Property and equipment	404,117,225	87,734,508	8,194,736	1,632,966	501,679,435
Depreciation	<u>3,329,545</u>	<u>326,841</u>	<u>392,053</u>	<u>120,410</u>	<u>4,168,849</u>

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19. SEGMENT REPORTING - (CONTINUED)**Reconciliation of information on reportable segments to net income of the Group before Zakat**

	<u>31 October 2020</u>	<u>31 October 2019</u>
Gross profit from reported segment	13,708,295	25,525,428
<u>Unallocated amount:</u>		
General and administrative expenses	(4,889,891)	(4,950,449)
Impairment of accounts receivable	(958,159)	(2,071,594)
Other income	1,998,611	3,574,593
Finance costs	(4,666,603)	(5,407,272)
Total unallocated amount	(8,516,042)	(8,854,722)
Income before zakat	5,192,253	16,670,706

20. CONTINGENT LIABILITES AND CAPITAL COMMITMENTS

	<u>31 October 2020</u>	<u>31 July 2020</u>
Uncovered letter of guarantee	2,055,600	2,055,600
Suppliers	1,222,933	3,668,811
	3,278,533	5,724,411

21. RECLASSIFYING PRIOR PERIOD FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

22. SUBSEQUENT EVENTS

On 18 Rabi Al-Awwal 1442H corresponding to 4 November 2020, the Group has signed an annual lease contract with Tatweer Buildings Company – A Limited Liability Company- and that for an integral educational building on a land area of 11,557 square meters in Riyadh City for a period of 35 years, amounting to SR 98,359,500.

On 16 Rabi Al-Awwal 1442H corresponding to 2 November 2020 the group signed a bank facilities agreement compatible with the provisions of Islamic Sharia law with Samba Financial Group amounting to SR50 million against promissory notes and these facilities will be used in financing the working capital when needed.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved for the period ended on 31 October 2020 by the Audit committee under an authorization of the Board of Directors on 22 Rabi Al-Thani 1442H corresponding to 7 December 2020.