

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim
Financial Statements for the three-month and
nine-month periods ended 30 April 2020
together with the Independent Auditor's Report on
Review of Condensed Consolidated
Interim Financial Statements

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Financial Statements (Unaudited)
For the three-month and nine-month periods ended
30 April 2020

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Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Ataa Educational Company

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements as at 30 April 2020 of **Ataa Educational Company** ("the Company") and its subsidiaries ("the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 April 2020;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 April 2020;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 April 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 April 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 April 2020; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 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 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 the 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.



Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Ataa Educational Company (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 April 2020 of **Ataa Educational Company** ("the Company") and its subsidiaries ("the Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants


Khalil Ibrahim Al Sedais
License No. 371



Riyadh on: 18 Shawwal 1441H
Corresponding to: 10 June 2020

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Financial Position (Unaudited)
AS AT 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

	Note	30 April 2020 (Unaudited)	31 July 2019 Audited
ASSETS			
Non-current assets			
Property and equipment	5	499,951,545	502,327,385
Investments property	6	37,835,584	38,084,376
Right-of-use assets	4	261,581,781	--
Intangible assets	7	377,676,046	376,399,169
Total non-current assets		1,177,044,956	916,810,930
Current assets			
Cash and cash equivalents		11,313,464	7,053,316
Inventories		723,603	790,665
Accounts receivable		67,131,448	55,670,914
Prepayments and other receivables		20,341,898	41,553,519
Total current assets		99,510,413	105,068,414
Total assets		1,276,555,369	1,021,879,344
EQUITY AND LIABILITIES			
Equity			
Share capital		400,000,000	400,000,000
Share premium		209,594,000	209,594,000
Statutory reserve		23,562,892	23,562,892
Retained earnings		90,776,853	113,389,382
Total equity		723,933,745	746,546,274
LIABILITY			
Non-current liabilities			
Non-current portion of lease liability on right-of-use assets	4	239,122,608	--
Non-current portion of long-term loans	8	49,114,067	83,528,820
Deferred revenue of government grants	9	2,028,061	2,412,598
Employees' benefits		30,077,386	29,403,300
Total non-current liabilities		320,342,122	115,344,718
Current liabilities			
Current portion of long-term borrowings	8	108,341,777	97,240,577
Unearned revenue		32,648,930	14,870,438
Accounts payable		1,277,408	3,018,740
Deferred revenue of government grants	9	526,087	566,215
Accruals and other payables		43,959,164	36,625,651
Provision for Zakat		1,255,411	1,673,699
Current portion of lease liability on right-of-use assets	4	44,120,587	--
Due to related parties	12	150,138	5,993,032
Total current liabilities		232,279,502	159,988,352
Total liabilities		552,621,624	275,333,070
Total equity and liabilities		1,276,555,369	1,021,879,344

The accompanying notes (1) through (19) form an integral part of these condensed consolidated interim financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Profit or Loss (Unaudited)
For the nine-month period ended 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

	<u>For the three-month period ended 30 April</u>		<u>For the nine-month period ended 30 April</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue	84,088,775	79,736,129	249,678,388	237,645,462
Cost of revenue	(58,940,699)	(60,347,093)	(174,118,691)	(173,486,732)
Gross profit	25,148,076	19,389,036	75,559,697	64,158,730
General and administrative expenses	(4,951,145)	(5,722,298)	(14,739,789)	(14,709,593)
Impairment of accounts receivable	(4,105,070)	(800,000)	(6,399,418)	(2,900,000)
Other income	2,944,489	2,283,135	11,316,709	7,591,862
Operating profit	19,036,350	15,149,873	65,737,199	54,140,999
Finance costs	(6,274,274)	(2,792,193)	(18,602,833)	(8,335,995)
Income for the period before Zakat	12,762,076	12,357,680	47,134,366	45,805,004
Zakat	(418,290)	(344,564)	(1,254,870)	(1,033,697)
Net income for the period	12,343,786	12,013,116	45,879,496	44,771,307
Earning per share:				
Basic and diluted earnings per share as per income for the period attributable to the shareholders of the Group Note (10)	0.31	0.30	1.15	1.12

The accompanying notes (1) through (19) form an integral part of these condensed consolidated interim financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)
For the nine-month period ended 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

	<u>For the three-month period ended 30 April</u>		<u>For the nine-month period ended 30 April</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net income for the period	12,343,786	12,013,116	45,879,496	44,771,307
<u>Other comprehensive income</u>				
<u>Items that will not be reclassified subsequently to profit or loss</u>				
Actuarial gains/ (losses) on re-measurement of employees' end-of-service benefits	632,150	(934,000)	(622,250)	(253,030)
Total items that will not be reclassified to profit or loss in subsequent periods	632,150	(934,000)	(622,250)	(253,030)
Other comprehensive income / (loss)	632,150	(934,000)	(622,250)	(253,030)
Total comprehensive income for the period	12,975,936	11,079,116	45,257,246	44,518,277

The accompanying notes (1) through (19) form an integral part of these condensed consolidated interim financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Consolidated Interim Statement of Changes In Equity (Unaudited)
For the nine-month period ended 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 August 2018 (audited)	400,000,000	209,594,000	15,288,380	100,130,919	725,013,299
Net income for the period	--	--	--	44,771,307	44,771,307
Other comprehensive loss	--	--	--	(253,030)	(253,030)
Total other comprehensive income for the period	--	--	--	44,518,277	44,518,277
Dividends (Note 16)	--	--	--	(60,000,000)	(60,000,000)
Balance at 30 April 2019 (unaudited)	400,000,000	209,594,000	15,288,380	84,649,196	709,531,576
Balance at 1 August 2019 (audited)	400,000,000	209,594,000	23,562,892	113,389,382	746,546,274
Effect of change in accounting policy (Note 4)	--	--	--	(27,869,775)	(27,869,775)
Restated balance as at 1 August 2019	400,000,000	209,594,000	23,562,892	85,519,607	718,676,499
Net income for the period	--	--	--	45,879,496	45,879,496
Other comprehensive loss	--	--	--	(622,250)	(622,250)
Total other comprehensive income for the period	--	--	--	45,257,246	45,257,246
Dividends (Note 16)	--	--	--	(40,000,000)	(40,000,000)
Balance at 30 April 2020 (unaudited)	400,000,000	209,594,000	23,562,892	90,776,853	723,933,745

The accompanying notes (1) through (19) form an integral part of these condensed consolidated interim financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Cash Flows (Unaudited)
For the nine-month period ended 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

	<u>30 April 2020</u>	<u>30 April 2019</u>
Cash flows from operating activities		
Income for the period before Zakat	47,134,366	45,805,004
Adjustments for:		
Depreciation and amortization	12,828,187	11,878,150
Depreciation - right-of-use assets	18,274,592	--
Losses on sale of property and equipment	10,502	--
Impairment of accounts receivable	6,399,418	2,900,000
Finance costs	18,602,833	8,335,995
Provision for employees' benefits	3,253,050	4,521,680
	<u>106,502,948</u>	<u>73,440,829</u>
Changes in operating assets and liabilities		
Inventory	67,062	748,071
Accounts receivable	(17,859,952)	6,197,066
Prepayments and other receivables	11,762,772	(425,717)
Accounts payable	(1,741,332)	(1,859,071)
Unearned revenue	17,778,492	46,022,839
Due to related parties	(5,842,894)	4,016,381
Accruals and other payables	(1,795,559)	(12,988,860)
Cash generated from operating activities	<u>108,871,537</u>	<u>115,151,538</u>
Employees' benefits paid	(3,201,214)	(2,700,938)
Finance costs paid	(9,553,907)	(8,335,995)
Zakat paid	(1,673,158)	(1,527,617)
Net cash generated from operating activities	<u>94,443,258</u>	<u>102,586,988</u>
Cash flows from investing activities		
Additions to property and equipment and projects in progress	(11,556,718)	(20,155,085)
Proceeds on sale of property and equipment	65,784	--
Net cash used in investing activities	<u>(11,490,934)</u>	<u>(20,155,085)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	58,645,529	35,830,616
Repayment of long-term borrowings	(82,383,747)	(65,141,539)
Dividends paid	(39,919,854)	(30,050,003)
Lease liabilities paid	(15,034,104)	--
Net cash used in financing activities	<u>(78,692,176)</u>	<u>(59,360,926)</u>
Net change in cash and cash equivalents	<u>4,260,148</u>	<u>23,070,977</u>
Cash and cash equivalents at beginning of the period	<u>7,053,316</u>	<u>10,171,019</u>
Cash and cash equivalents at the end of the period	<u>11,313,464</u>	<u>33,241,996</u>
- Non-cash transactions (Note 15)		

The accompanying notes (1) through (19) form an integral part of these condensed consolidated interim financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

1. REPORTING ENTITY

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

The principal activities of the Company include the establishment of national and international schools, kindergarten, primary, middle and secondary schools for boys and girls in Riyadh region under licenses granted by the Ministry of Education. Further, the licensed activities of the Company under the Commercial Registration include establishment, management, operation and maintenance of computer training centers.

In accordance with the Company's By-Laws, the fiscal year of the Company shall commence at 1 August and ends at 31 July of each year.

The Company operates through its following branches:

<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
Middle East International School	1010192541
New Middle East International School	1010250798
Modern Middle East International School	1010352008
Al Sulaymaniyah International Private School	1010196919
Al Fikr Private School	1010192540
Al-Rowad Private School, Al Rawda branch	1010203258
Al-Rowad School (Ishbilia branch)	1010469726
Ataa for Maintenance and Operation Company Branch	1010452144
Al-Rowad Private School for girls (Marine Housing Compound - Kharj Road)	1010369368
Rowad Eshbilia International School - Branch of Ataa Company	1010186435

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

Subsidiary	Country of incorporation	Legal form	Effective shareholding	
			As at 30 April 2020	As at 31 July 2019
Al Nokhbah Educational Company	Kingdom of Saudi Arabia	A limited liability company	100%	100%
Al Oruba International Company for Education Services	Kingdom of Saudi Arabia	A limited liability company	100%	100%
Al-Rowad Company for Supporting Services	Kingdom of Saudi Arabia	A limited liability company	100%	100%

The Company's head office is located in Riyadh city and its official address is as follows:
P.O. Box 87527
Riyadh 11652
Kingdom of Saudi Arabia

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants for the year ended 31 July 2019.

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented, unless otherwise stated.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on historical cost basis except for employees' benefits obligations that have been recognized at the present value of future obligations using the projected unit credit method, using the accrual basis of accounting and going concern concept.

Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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).

ATAA EDUCATIONAL COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair value measurement - (continued)

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

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

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

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

Seasonal changes

The results of operations for this nine-month period do not necessarily reflect an accurate indication of the actual results of the operations for the entire year. As the Group's activity, revenues and expenses are affected by several factors, including student registration and withdrawals during the year, which leads to some change in the Group's revenue from one quarter to another as a result of that, in addition to operating expenses that differ also from one period to another during the year due to the seasons and summer holidays, and due to the current circumstance of the global pandemic in particular this year. These changes are reflected in the Group's financial results for the year. Consequently, the results of operations for this interim period may not be an accurate indication of the actual results of the operations the entire year.

4. CHANGES IN ACCOUNTING POLICIES

4-1 IFRS 16 'Leases'

IFRS 16 'Leases' replaces the following standard and interpretations:

- IAS 17 'Leases'.
- IFRIC 4 'Determining whether an Arrangement contains a lease'.
- IFRIC 15 'Operating leases - incentives'.
- SIC 27 'Evaluating the substance of transactions involving the legal form of a lease'.

The standard determines the principles of recognition, measurement, presentation and disclosure of leases and requires lessees to recognize leases in accordance with a consolidated accounting framework in the consolidated statement of financial position.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for specific consideration. To assess whether a contract conveys the right to control the use of an identified asset,

As a lessee

At the commencement date, the Group shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

The Group shall recognize a right-of-use asset at the commencement date (i.e. the date on which the underlying asset is available for use) and a lease liability at the commencement date. The right-of-use asset is initially measured at cost less accumulated depreciation and impairment and is settled for any remeasurement of a lease liability.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
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(Expressed in Saudi Riyals unless otherwise stated)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The cost of right-of-use asset includes the initial amount of a lease liability adjusted by lease payments made on or before the commencement date, and any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. The estimated useful life for right-of-use asset based on the lease term.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The Group shall discount lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be easily determined, the Group should use the incremental borrowing rate.

After the commencement date, a lessee shall measure the lease liability by:

- (a) increasing the carrying amount to reflect interest rate on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments that are remeasured when there is a change in future lease payments arising from a change in index or a rate, or if there was a change in the Group's estimate of the amount expected to be payable by the lessee under residual value guarantees, or if the Group changed its assessment whether it will choose the purchase, extension or termination.

Any remeasurement is settled in the lease liability against the carrying amount of right-of-use asset or charged to the condensed consolidated interim statement of income if the carrying amount of the related asset is Zero.

Short-term leases

The Group elected not to recognize right-of-use assets and lease liabilities for the short-term leases for which their terms are 12 months or less. The Group recognizes lease payments associated with those leases as expenses on a straight line basis over the lease term.

Extension options

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

As a lessor

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

To classify each lease, the Group perform overall assessment whether lease transfers all substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers specific indicators such as whether the lease term is for the major part of the economic life of the underlying asset.

The initial measurement in case of finance leases: the lessor shall use the interest rate implicit in the lease to measure the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- (a) fixed payments;
- (b) variable lease payments that depend on an index or a rate;
- (c) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee; and
- (c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 April 2020
(Expressed in Saudi Riyals unless otherwise stated)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Upon subsequent measurement, a lessor shall recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

The initial measurement in case of operating leases: A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Upon subsequent measurement, a lessor shall apply IAS 36 to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.

When the Group is an intermediate lessor, it calculates its interest in the head lease and sublease separately. Classification of the sublease is assessed by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

If the head lease is a short-term lease, the Group applies exemption, the sublease shall be classified as an operating lease.

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

The Group recognizes lease payments received under operating leases as revenue on a straight-line basis over the lease term as part of "other income".

The accounting policies applicable to the Group as a lessor in the comparative period are not different from IFRS 16. However, when the Group is an intermediate lessor, subleases are classified by reference to the underlying asset.

The Group adopted the application of IFRS 16 retrospectively with recognizing the accumulated effect for the initial application of the standard on 1 August 2019. Under this method, for leases that had been classified as operating leases, a lease liability is measured at present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The resulting right-of-use asset is measured at the carrying amount of the right-of-use asset that represents the carrying amount of the lease liability at the date of initial application. A lease liability is settled adjusted by an amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position directly before the date of initial application. Any lease accruals or incentives relating to a previous operating lease against the right-of-use asset at the date of initial application. In addition, the Group also used practical expedients to apply a single discount rate to a portfolio of leases with similar characteristics and excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Previously, the Group had classified leases as operating leases or finance leases based on its assessment whether the lease substantively transfer all risk and rewards associated with ownership of the original asset to Group. The Company classified all leases as operating leases for the year ended 31 July 2019. As of 1 August 2019, the Group recognized the right-of-use assets and lease liabilities in the condensed consolidated interim statement of financial position in accordance with requirements of IFRS 16.

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4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impact on the condensed consolidated interim financial statements

On transition to IFRS 16, the Company recognized right-of-use assets and lease liabilities, with settling the prepaid rent and recognizing the difference in retained earnings. The impact of transition at 1 August 2019 is summarized below:

Right-of-use assets presented in the financial statements	232,218,409
Lease liability on right-of-use assets	(250,639,336)
Prepaid rent	(9,448,848)
Impact on retained earnings	<u>(27,869,775)</u>
Assets recognized during the period	279,856,373
Depreciation charge for the period	(18,274,592)
Balance at end of the period	<u>261,581,781</u>

Lease liabilities included in the statement of financial position as at 30 April 2020

Current	44,120,587
Non-current	239,122,608
Lease liabilities on right-of-use assets	<u>283,243,195</u>

	For the period ended 30 April 2020
<i>Amounts recognized in the statement of profit or loss</i>	

Depreciation on right-of-use assets	(18,274,592)
Interest expense on lease liabilities	9,033,136

Reconciliation of lease liabilities

On the date of initial application, a discount rate of 4.10% to 4.53% was used. The below table represents the lease reconciliation as at 1 August 2019:

Minimum lease payments as at 1 August 2019	250,639,336
Additions during the period	47,637,963
Paid during the period	(15,034,104)
Total lease liabilities as at 30 April 2019	<u>283,243,195</u>

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5. PROPERTY AND EQUIPMENT

	Lands	Buildings and constructions	Electrical tools & equipment	Motor vehicles	Furniture & fixtures	Projects in progress	Total
<u>Cost</u>							
As at 1 August 2018	177,190,872	248,487,275	31,518,313	29,546,616	41,361,995	115,338,652	643,443,723
Additions during the year	--	1,421,597	1,786,696	--	2,720,181	16,536,502	22,464,976
Transferred from projects in progress	--	48,612,669	536,533	--	--	(49,149,202)	--
Transferred to investment properties	(22,380,500)	(16,616,375)	--	--	--	--	(38,996,875)
Disposals during the year	--	--	(50,159)	--	(10,777)	--	(60,936)
As at 31 July 2019	154,810,372	281,905,166	33,791,383	29,546,616	44,071,399	82,725,952	626,850,888
Additions during the period	--	803,414	2,271,784	--	2,549,419	5,932,101	11,556,718
Transferred from projects in progress	--	83,714,534	--	--	--	(83,714,534)	--
Transferred to intangible assets	--	--	--	--	--	(1,570,880)	(1,570,880)
Disposals during the period	--	--	(4,015,563)	(245,987)	(11,089,945)	--	(15,351,495)
As at 30 April 2020	154,810,372	366,423,114	32,047,604	29,300,629	35,530,873	3,372,639	621,485,231
<u>Accumulated depreciation</u>							
As at 1 August 2018	--	30,952,281	22,715,930	26,551,213	29,381,621	--	109,601,045
Charge for the year	--	6,886,191	3,857,341	670,238	4,482,123	--	15,895,893
Accumulated depreciation transferred to investment properties	--	(912,499)	--	--	--	--	(912,499)
Accumulated depreciation of disposals	--	--	(50,159)	--	(10,777)	--	(60,936)
As at 31 July 2019	--	36,925,973	26,523,112	27,221,451	33,852,967	--	124,523,503
Charge for the period	--	6,380,020	2,350,385	646,840	2,908,147	--	12,285,392
Accumulated depreciation of disposals	--	--	(4,015,563)	(245,987)	(11,013,659)	--	(15,275,209)
As at 30 April 2020	--	43,305,993	24,857,934	27,622,304	25,747,455	--	121,533,686
Net book value							
As at 30 April 2020	154,810,372	323,117,121	7,189,670	1,678,325	9,783,418	3,372,639	499,951,545
As at 31 July 2019	154,810,372	244,979,193	7,268,271	2,325,165	10,218,432	82,725,952	502,327,385

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5- PROPERTY AND EQUIPMENT (CONTINUED)

- As at 30 April 2020, projects in progress of SR 3,3 million (31 July 2019: SR 82,7 million) represent the project of extension building for the educational complex in Ishbilia District.
- The Group has capitalized borrowing cost of SR Zero during the financial period ended 30 April 2020 and an amount of SR 3,7 million during the year ended 31 July 2019.

6. INVESTMENT PROPERTIES, NET

<u>Cost</u>	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
As at 31 July 2019	22,380,500	16,616,375	38,996,875
Additions during the period	--	--	--
As at 30 April 2020	22,380,500	16,616,375	38,996,875
<u>Accumulated depreciation</u>			
As at 31 July 2019	--	912,499	912,499
Charge for the period	--	248,792	248,792
As at 30 April 2020	--	1,161,291	1,161,291
<u>Net book value:</u>			
As at 30 April 2020	22,380,500	15,455,084	37,835,584
As at 31 July 2019	22,380,500	15,703,876	38,084,376

Estimated useful life of the investment property is as follows:

	<u>Years</u>
Buildings	50

(6.1) These lands and buildings are mortgaged as security in return for obtaining certain credit facilities, as disclosed in Note (8).

7. INTANGIBLE ASSETS

	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
At 31 July 2019	376,399,169	--	376,399,169
30 April 2020	376,399,169	1,570,880	377,970,049
<u>Amortization:</u>			
At 31 July 2019	--	--	--
Charged during the period	--	294,003	294,003
30 April 2020	--	294,003	294,003
<u>Net book value:</u>			
30 April 2020	376,399,169	1,276,877	377,676,046
At 31 July 2019	376,399,169	--	376,399,169

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8. LONG-TERM LOANS

Long-term loans are represented as follows:

Loan from Ministry of Finance

- 8.1 On 5 Jumada I 1436H (corresponding to 24 February 2015), the Group obtained a long-term loan from the Ministry of Finance for a total amount 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 2027. 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 1.33 million and the land located in Al Salam District of SR 20.099 million.

Movement in loans granted by the Ministry of Finance during the period/ year is as follows:

	<u>30 April 2020</u>	<u>31 July 2019</u>
Balance at the beginning of the period / year	17,134,200	19,038,000
Proceeds during the period / year	--	--
Repayments during the period / year	<u>(1,903,800)</u>	<u>(1,903,800)</u>
Balance at end of the period / year	<u>15,230,400</u>	<u>17,134,200</u>

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

Total loans at end of the period / year	<u>15,230,400</u>	<u>17,134,200</u>
Less: deferred finance charges		
Balance at the beginning of the period / year	(2,978,813)	(3,596,477)
Finance charges for the period / year	<u>424,665</u>	<u>617,664</u>
Balance at end of the period / year	<u>(2,554,148)</u>	<u>(2,978,813)</u>
Present value of loans at end of the period/ year	<u>12,676,252</u>	<u>14,155,387</u>

Movement in loans granted by local banks during the period is as follows:

- 8.2 On 2 Thul Qi'dah 1435H (corresponding to 28 August 2014), the Group has entered into a long-term credit facilities agreement with a local bank for a total amount of SR 80 million to finance 80% of the purchase amount of Al Oroba International School. Out of which, the Group has used an amount of SR 68.7 million. The facility is to be paid in semi-annual installments after the six-month grace period from the date of signing the agreement with the bank. The last installment of the loan was payable on 28 February 2019. This facility has been granted at a profit margin and commission on the facility that specified at SIBOR plus an agreed upon rate of 2.25%. Installments have been paid in full.

Collaterals

This facility is secured by a promissory note for the full value of the loan and joint amerceable bail and performance, in-kind guarantees represented in mortgaging title deed of Mansoura complex land of SR 15 million and the administrative building land of Rawabi branch of SR 1.6 million.

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8 LONG-TERM LOANS (CONTINUED)

- 8.3 On 5 Jumada I 1436H (corresponding to 24 February 2015), the Group has entered into a long-term credit facilities agreement with a local bank for a total amount of SR 140 million to finance contracting and construction works needed to build the educational complex in Ishbilia. This facility is repaid in semi-annual installments after the grace period estimated as two years from the signing date of the agreement with the bank. The loan's last installment is payable on 31 July 2023. This facility has been granted at a margin and commission specified at the revenue rate at SIBOR plus an agreed percentage of 2.75%.

Collaterals

These facilities are secured by a promissory note for the full value of the Group's available finance. In addition to keeping the mortgage of the land located in Ishbilia District of SR 43 million with the same funded bank.

- 8.4 On 17 Dhul-Hijjah 1436H (corresponding to 30 September 2015), the Group entered into a long-term credit facilities agreement with a local bank dated 28 August 2014 with a total amount of SR 29.6 million to finance 80% of the purchase the administrative building on Uthman bin Affan Road in Izdihar District. This facility is repayable on the same terms of the original agreement over 5 years and the last installment is payable on 30 September 2020. This facility has been granted at a margin and commission specified at the revenue rate at SIBOR plus an agreed upon rate of 2.25%.

Collaterals

These facilities are guaranteed by promissory notes for the full value of the Group's available finance in addition to the mortgage of the land and buildings erected on it of amounted to 37 million.

- 8.5 On 9 Sha'ban 1437H (corresponding to 16 May 2016), the Group entered into a short-term credit facilities agreement with a local bank for a total amount of SR 30 million to finance working capital support. Out of which, the Group used SR 30 million on 17 Ramadan 1440H (corresponding to 22 May 2019), and it has been paid on 27 Rabi' I 1441H (corresponding to 24 November 2019). On 22 Rajab 1441H (corresponding to 17 March 2020), the Company has used SR 10 million. This facility has been granted at a margin and commission specified at the revenue rate at SIBOR plus an agreed percentage of 2.50%.

Collaterals

These facilities are secured by a promissory note for the full value of the Group's available finance amounting to SR 30 million.

- 8.6 On 9 Jumada' II 1438H (corresponding to 8 March 2017), the Group has entered into a short-term credit facilities agreement with a local bank for a total amount of SR 20 million to finance working capital support. Out of which, the Group has used SR 20 million on 10 Shawwal 1440H (corresponding to 24 June 2019). The payment was made after 6 months from the date of obtaining the facility, and it was paid in full. The Group reused the facility with a value of SR 20 million on 27 Jumada' I 1441H (corresponding to 22 January 2020). This facility has been granted at a profit margin and commission on facility specified at SIBOR plus an agreed upon rate of 2.50%.

Collaterals

These facilities are secured by a mortgage of the title deed of Mansoura Complex land of SR 13.4 million and a promissory note for the entire amount of financing available to the Group in the amount of SR 20 million.

- 8.7 On 11 Thul-Qi'dah 1440H (corresponding to 14 July 2019), the Group entered into a short-term credit facility agreement with a local bank without collateral with a total amount of SR 15 million to finance working capital support. Out of which, the Group has utilized an amount of SR 15 million, and the repayment was made after 75 days from the date of obtaining the facility. This facility has been granted at a profit margin and a commission on the facility at SIBOR plus an agreed upon rate of 3%. The Full repayment has been made during this period.

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8 LONG-TERM LOANS (CONTINUED)

- 8.8 On 8 Safar 1441H (corresponding to 7 October 2019), the Group entered into a short-term credit facilities agreement with a local bank for a total amount of SR 25 million to finance working capital support. The Group used SR 25 million of the facility on 25 Jumada I 1441H (corresponding to 20 January 2020). Payment is made after 6 months from the date of obtaining the facility. This facility was granted with a profit margin and commission on the facility specified at SIBOR plus an agreed upon rate of 2%.

Collaterals

These facilities are secured by a promissory note with the full amount of the financing available to the Group in the amount of SR 25 million.

- 8.9 On 8 Safar 1441H (corresponding to 7 October 2019), the Group entered into a long-term credit facilities agreement with a local bank for a total amount of SR 250 million to finance the acquisition and establishing new schools. This facility was granted with a profit margin and commission on the facility specified at SIBOR plus an agreed upon rate of 1.50%.

This facility has not been used yet.

Collaterals

These facilities are secured by a promissory note with the full amount of the financing available to the Group in the amount of SR 250 million.

Movement in loans from local banks is as follows:

	<u>30 April 2020</u>	<u>31 July 2019</u>
Balance at the beginning of the period / year	166,614,010	188,152,905
Finance obtained during the period/ year	58,645,529	86,015,525
Repayments during the period / year	(80,479,947)	(107,554,420)
Total loans from local banks	<u>144,779,592</u>	<u>166,614,010</u>

Breakdown of loans were presented in the consolidated statement of financial position as follows:

	<u>30 April 2020</u>	<u>31 July 2019</u>
Current portion of long-term loans *	108,341,777	97,240,577
Non-current portion of long-term loans*	49,114,067	83,528,820
	<u>157,455,844</u>	<u>180,769,397</u>

* Includes a loan from Ministry of Finance

9. DEFERRED REVENUE OF GOVERNMENT GRANTS

	<u>30 April 2020</u>	<u>31 July 2019</u>
Balance at beginning of the period /year	2,978,813	3,596,477
Movement during the period / year	(424,665)	(617,664)
	<u>2,554,148</u>	<u>2,978,813</u>
Current portion of deferred revenue of government grants	526,087	566,215
Non-current portion of deferred revenue of government grants	<u>2,028,061</u>	<u>2,412,598</u>

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10. 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>For the three-month period</u> <u>ended 30 April</u>		<u>For the nine-month period</u> <u>ended 30 April</u>	
	2020	2019	2020	2019
Income for the period	12,343,786	12,013,116	45,879,496	44,771,307
Weighted average number of shares	40,000,000	40,000,000	40,000,000	40,000,000
	0.31	0.30	1.15	1.12

11. FINANCIAL INSTRUMENTS

11.1 Financial assets

	30 April 2020	31 July 2019
Financial assets at amortized cost:		
Accounts receivable	67,131,448	55,670,914
Cash and cash equivalents	11,313,464	7,053,316
Total financial assets at amortized cost	78,444,912	62,724,230

11.2 Financial liabilities

	30 April 2020	31 July 2019
Financial liabilities at amortized cost:		
Loans	157,455,844	180,769,397
Accounts payable	1,277,408	3,018,740
Total financial liabilities at amortized cost	158,733,252	183,788,137
Current portion of financial liabilities	109,619,185	100,259,317
Non-current portion of financial liabilities	49,114,067	83,528,820
Total financial liabilities	158,733,252	183,788,137

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

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12. RELATED PARTIES

The Group transacted with related parties in ordinary course of business. Following are the details of major transactions with related parties:

	Nature of transaction	Nature of transaction	30 April 2020	30 April 2019
Dr. Ahmed bin Nasser Elmet'eb	Shareholder and BOD member	Leases	8,288,000	5,091,380
Al Qasabi Contracting Company Limited	Shareholder of the Company	Contracting services	--	10,215,476

- The above transactions resulted in following balances:

	30 April 2020	31 July 2019
Dr. Ahmed bin Nasser Elmet'eb*	8,150,621	5,993,032
Al Qasabi Contracting Company Limited	--	3,676,592

* The balance due to Dr. Ahmed bin Nasser Elmet'eb of SR 8,150,621 was classified as follows:

(SR 8,000,483) due for leases within lease liabilities on right-of-use assets

(SR 150,138) classified under due to related parties

Key management personnel compensations

Key management consists of Board members and executive management. Reimbursements paid or payable to key management personnel for employees' services are listed below:

	<u>For the three-month period ended 30 April</u>		<u>For the nine-month period ended 30 April</u>	
	2020	2019	2020	2019
Salaries & compensations	963,000	1,047,420	2,959,090	3,142,260
End-of-service benefits and employees' benefits	399,241	457,526	1,225,229	1,372,577
	1,362,241	1,504,946	4,184,319	4,514,837

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13. SEGMENT REPORTING

The Group's revenues of SR 249,7 million are concentrated in education fees representing 100% of total revenues for the financial period ended 30 April 2020 (financial period ended 30 April 2019: SR 237.6 million). Accordingly, all the Group's assets and liabilities are allocated to education sector.

The Company is mainly involved in the establishment of national and international schools activity, kindergarten, primary and secondary schools for boys and girls in Riyadh region. Information related to operating segments of the Company mentioned below are regularly reported to Operating Decision Makers in the Company :are described as follows:

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

As at the period ended 30 April 2020

	<u>Private schools</u>	<u>International schools</u>	<u>Indian schools</u>	<u>French schools</u>	<u>Total</u>
Revenue	149,107,328	64,397,990	29,282,744	6,890,326	249,678,388
Cost of revenue	(99,368,097)	(45,733,468)	(23,109,452)	(5,907,674)	(174,118,691)
Gross profit	49,739,231	18,664,522	6,173,292	982,652	75,559,697
Property and equipment	415,604,225	75,452,038	7,663,872	1,231,410	499,951,545
Depreciation	(8,384,143)	(2,461,319)	(1,140,704)	(299,226)	(12,285,392)

As at the period ended 30 April 2019

	<u>Private schools</u>	<u>International schools</u>	<u>Indian schools</u>	<u>French schools</u>	<u>Total</u>
Revenue	143,821,182	58,037,179	29,027,710	6,759,391	237,645,462
Cost of revenue	(99,772,017)	(43,741,802)	(24,106,924)	(5,865,989)	(173,486,732)
Gross profit	44,049,165	14,295,377	4,920,786	893,402	64,158,730
Property and equipment	450,762,222	80,789,426	8,768,264	1,799,701	542,119,613
Depreciation	(9,095,050)	(1,040,278)	(1,404,269)	(338,553)	(11,878,150)

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13. SEGMENT REPORTING - (CONTINUED)

Reconciliation of information on reportable segments to net income of the company

	<u>30 April 2020</u>	<u>30 April 2019</u>
Gross profit from reported segment	<u>75,559,697</u>	<u>64,158,730</u>
<u>Undistributed amount</u>		
Other income	11,316,709	7,591,862
Impairment of accounts receivable	(6,399,418)	(2,900,000)
General and administrative expenses	(14,739,789)	(14,709,593)
Finance costs	(18,602,833)	(8,335,995)
Total unallocated amount	<u>(28,425,331)</u>	<u>(18,353,726)</u>
Profit before zakat	<u>47,134,366</u>	<u>45,805,004</u>

14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	<u>30 April 2020</u>	<u>31 July 2019</u>
Uncovered letter of guarantee	--	760,000
Capital commitments - projects in progress	220,000	1,600,000
	<u>220,000</u>	<u>2,360,000</u>

15. NON-CASH TRANSACTIONS

	<u>30 April 2020</u>	<u>30 April 2019</u>
Transferred from projects in progress to property and equipment	83,714,534	49,149,202
Right-of-use assets against lease liabilities	261,581,781	--
Transferred from projects in progress to intangible assets	1,570,880	--
Dividends against accruals and other payables	80,146	29,949,997
Actuarial loss on re-measurement of employees' end of service benefits	(622,250)	(253,030)

16. DIVIDENDS

On 25 Jumada' I 1441H (corresponding to 20 January 2020), the Extraordinary General Assembly meeting decided a dividend of SR 40 million (at an amount of SR 1 per share) (for July 2018: SR 60 million).

17. THE IMPACT OF THE OUTBREAK OF THE NOVEL CORONA VIRUS (COVID-19) ON THE FINANCIAL STATEMENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia, causing disruption to business and economic activities.

It is still not possible to determine the size and extent of these effects, depending on future developments that cannot be accurately predicted at the present time, such as the transmission of the virus and the size and extent of effectiveness of the measures taken with a view to containing it.

In light of the uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact on the date of the approval of the financial statements. These developments could affect the financial results, cash flows and the financial position of the Group in the future.

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18. SUBSEQUENT EVENTS

On 14 Ramadan 1441H (corresponding to 7 May 2020), the Group has signed a settlement agreement for a sale contract with Al-Falah Private Company Limited (a limited liability company) to acquire Al-Falah Private Schools, by canceling the sales contract in agreement and consent without any penal terms or financial impact in accordance with the terms and conditions of the agreement.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements have been approved for issuance by the Audit Committee under an authorization of the Board of Directors on 18 Shawwal 1441H (corresponding to 10 June 2020).