

**NATIONAL COMPANY FOR LEARNING
AND EDUCATION**
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Financial Statements (unaudited)
For the three-month period ended
At 30 November 2020
together with the
Independent Auditor's Report
on review of the condensed consolidated interim financial statements

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three-month period ended
At 30 November 2020

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Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements

To the shareholders of National Company for Learning and Education

Introduction

We have reviewed the accompanying 30 November 2020 condensed consolidated interim financial statements of **National Company for Learning and Education ("the Company")** and its subsidiaries ("**the Group**"), which comprises:

- The condensed consolidated statement of financial position as at 30 November 2020,
- The condensed consolidated statement of profit or loss for the three-month period ended 30 November 2020,
- The condensed consolidated statement of comprehensive income for the three-month period ended 30 November 2020,
- the condensed consolidated statement of changes in equity for the three-month period ended 30 November 2020,
- The condensed consolidated statement of cash flows for the three-month period ended 30 November 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 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 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 condensed consolidated interim financial statements as at 30 November 2020 of National Company for Learning and Education ("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

Fahad Mubark Al Dossari
License No. 469



Date: 26 Jumada I 1442 H
Corresponding to: 10 January 2021

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 November 2020
(Amounts in Saudi Riyals)

	<i>Note</i>	30 November 2020 (Unaudited)	31 August 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	520,142,514	517,131,174
Intangible assets and goodwill		81,427,978	81,929,262
Right-of-use assets	5	70,860,024	72,462,593
Total non-current assets		672,430,516	671,523,029
Current assets			
Inventory		2,998,386	2,894,867
Accounts receivable		42,486,116	36,305,494
Prepayments and other receivables		24,682,901	18,747,356
Cash and cash equivalents		104,453,232	107,519,296
Total current assets		174,620,635	165,467,013
Total assets		847,051,151	836,990,042
EQUITY AND LIABILITIES			
Equity			
Share capital	9	430,000,000	430,000,000
Share premium		100,985,697	100,985,697
Statutory reserve		29,047,848	29,047,848
Retained earnings		67,338,173	64,820,186
Total equity		627,371,718	624,853,731
Non-current liabilities			
Non-current portion of Islamic Murabaha and Ministry of Finance loans	6.7	10,383,200	24,910,187
Employees' benefits		54,895,654	52,778,000
Non-current portion of deferred revenue of government grants	6.3	132,933	195,856
Non-current portion of lease liability on right-of-use assets	5	67,709,649	68,302,946
Total non-current liabilities		133,121,436	146,186,989
Current liabilities			
Current portion of Islamic Murabaha and Ministry of Finance loans	6.7	28,498,631	13,253,334
Advance form customers	7	32,309,514	28,563,097
Current portion of lease liability on right-of-use assets	5	5,624,102	4,389,277
Accounts payable		1,680,249	1,534,525
Current portion of deferred revenue of government grants	6.3	451,308	602,665
Accrued expenses and other current liabilities		13,470,417	12,759,432
Zakat provision		4,523,776	4,846,992
Total current liabilities		86,557,997	65,949,322
Total liabilities		219,679,433	212,136,311
Total equity and liabilities		847,051,151	836,990,042

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)
For the three-month period ended 30 November 2020
(Amounts in Saudi Riyals)

	<u>Note</u>	<u>30 November 2020</u>	<u>30 November 2019</u>
Revenue		42,114,938	50,588,717
Government grants and subsidies		2,337,263	1,508,201
Cost of revenue		<u>(30,541,643)</u>	<u>(31,871,613)</u>
Gross profit		13,910,558	20,225,305
Marketing and advertising expenses		(515,008)	(176,265)
General and administrative expenses		(8,106,537)	(7,236,528)
Other income		935,345	342,085
Impairment losses of accounts receivable		<u>--</u>	<u>(470,000)</u>
Operating profit		6,224,358	12,684,597
Finance costs, net	13	<u>(1,611,202)</u>	<u>(362,157)</u>
Net profit for the period before Zakat		4,613,156	12,322,440
Zakat		<u>(825,000)</u>	<u>(683,814)</u>
Net profit for the period		<u>3,788,156</u>	<u>11,638,626</u>
Earnings per share:			
Basic and diluted earnings per share	14	<u>0.09</u>	<u>0.27</u>

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
For the three-month period ended 30 November 2020
(Amounts in Saudi Riyals)

	30 November 2020	30 November 2019
Net profit for the period	3,788,156	11,638,626
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial (losses)/ gains from re-measurement of employees' end of service benefits	(1,270,169)	3,662,100
Total items that will not be reclassified to profit or loss in subsequent periods	(1,270,169)	3,662,100
Total other comprehensive (loss) / income for the period	(1,270,169)	3,662,100
Total comprehensive income for the period	2,517,987	15,300,726

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
For the three-month period ended 30 November 2020
(Amounts in Saudi Riyals)

	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance as at 1 September 2019 (audited)	430,000,000	100,985,697	23,268,013	51,284,897	605,538,607
Profit for the period	--	--	--	11,638,626	11,638,626
Other comprehensive income	--	--	--	3,662,100	3,662,100
Total comprehensive income for the period	--	--	--	15,300,726	15,300,726
Balance as at 30 November 2019	430,000,000	100,985,697	23,268,013	66,585,623	620,839,333
Balance as at 1 September 2020 (audited)	430,000,000	100,985,697	29,047,848	64,820,186	624,853,731
Profit for the period	--	--	--	3,788,156	3,788,156
Other comprehensive loss	--	--	--	(1,270,169)	(1,270,169)
Total comprehensive income for the period	--	--	--	2,517,987	2,517,987
Balance as at 30 November 2020	430,000,000	100,985,697	29,047,848	67,338,173	627,371,718

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NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the three-month period ended 30 November 2020

(Amounts in Saudi Riyals)

	30 November 2020	30 November 2019
Cash flows from operating activities		
Net profit for the period before Zakat	4,613,156	12,322,440
Adjustments for:		
Depreciation and amortization	3,939,312	3,058,324
Employees' benefits	1,532,710	994,000
Realized revenue from government grants	(214,280)	(285,701)
Short term Islamic deposits returns	(96,174)	(878,833)
Gains on sale of property, plant and equipment	--	(125,714)
Finance costs	1,707,376	1,240,990
Reverse of impairment in the prepaid and other receivables	(3,450)	--
Impairment losses of accounts receivable	--	470,000
	11,478,650	16,795,506
Changes in operating assets and liabilities		
Accounts receivable	(6,180,622)	(15,841,693)
Inventory	(103,519)	(163,741)
Prepayments and other receivables	(5,932,095)	(18,834,051)
Accounts payable	145,724	864,846
Accrued expenses and other current liabilities	710,985	1,334,506
Advance form customers	3,746,417	4,279,373
Employees' benefits paid	(1,051,225)	(1,716,600)
Zakat paid	(1,148,216)	--
Net cash flows generated from / (used in) operating activities	1,666,099	(13,281,854)
Cash Flows from investing activities		
Additions to property, plant and equipment and projects in progress	(4,828,337)	(18,903,384)
Proceeds from disposals of property, plant and equipment	--	125,714
Proceeds from short-term Islamic Murabaha returns	96,174	878,833
Net cash flows used in investing activities	(4,732,163)	(17,898,837)
Cash flows from financing activities		
Repayment of Islamic Murabaha and Ministry of Finance loans	--	(10,696,605)
Net cash flows used in financing activities	--	(10,696,605)
Net change in cash and cash equivalents	(3,066,064)	(41,877,296)
Cash and cash equivalents at beginning of the period	107,519,296	240,045,569
Cash and cash equivalents at the end of the period	104,453,232	198,168,273
Non-cash transactions during the period		
Actuarial (losses)/ gains on re-measurement of employees' benefits	(1,270,169)	3,662,100
Capitalized returns on projects in progress	18,462	18,046
Transferred from projects under progress	43,023,448	10,735,542

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the three-month period ended 30 November 2020

1. ORGANIZATION AND ACTIVITIES

National Company for Learning and Education (“the Company”) a Saudi Joint Stock Company registered under Commercial Registration Number 1010178851 issued in Riyadh on 4 Jumada I 1423H (corresponding to 14 July 2002).

The Company is engaged in ownership, establishment and management of private schools for general education (pre-university) in addition to investment in sport and entertainment along with sport clubs for school students.

The Company carries out its business through its branches and subsidiaries mentioned below:

Branch of Tarbyah Namouthajiyah Schools/Al-Rayan District under CR No. 1010205885 dated 12 Muharram 1426H corresponding to 21 February 2005.

Branch of Tarbyah Namouthajiyah Schools/Al-Rawabi district under CR no. 1010226993 dated 24 Dhul Hijjah 1427H corresponding to 14 January 2007.

Branch of Tarbyah Namouthajiyah Schools/Al-Nuzha district under commercial registration no. 1010284328 dated 4 Rabi II 1431H corresponding to 20 March 2010.

Branch of Tarbyah Namouthajiyah Schools/Qurtubah district under CR no. 1010466961 dated 5 Rabi II 1438H corresponding to 4 January 2017.

Branch of Tarbyah Namouthajiyah Schools/Buraydah District under CR no. 1131300125 dated 16 Ramadan 1440H corresponding to 21 May 2020.

Al Khwarizmi Educational Company under CR no. 1010290982 dated 18 Rajab 1431H corresponding to 30 June 2010.

Al Ghad National Schools Company under CR no. 1010168956 dated 20 Jumada II 1422H corresponding to 11 September 2001.

Branch of Tarbyah Namouthajiyah Schools/Qairwan District under CR no. 1010644469 dated 1 Dhul Hijah 1441H corresponding to 21 July 2020.

Branch of Tarbyah Namouthajiyah Schools/Telal Al Doha- Dammam District under CR no. 2050138947 dated 9 Rabi I 1442H corresponding to 25 October 2020.

Branch of Tarbyah Namouthajiyah Schools/Rayan District under CR no. 1010644470 dated 1 Dhul Hijah 1441H corresponding to 21 July 2020.

Branch of Tarbyah Namouthajiyah Schools/Rayan District under CR no. 1010664733 dated 10 Rabi I 1442H corresponding to 26 October 2020.

Branch of Tarbyah Namouthajiyah Schools/Rawabi District under CR no. 1010664732 dated 10 Rabi I 1442H corresponding to 26 October 2020.

Branch of Tarbyah Namouthajiyah Schools/Al-Nuzha District under CR no. 1010665999 dated 12 Rabi I 1442H corresponding to 28 October 2020.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the three-month period ended 30 November 2020

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

These consolidated financial statements include the financial information of the Company, and the following subsidiaries whose share capital is wholly owned directly by the Group (collectively referred to as the “Group”):

<u>Subsidiary Company</u>	<u>Country of incorporation</u>	<u>Ownership %</u>	
		30 November 2020	31 August 2020
Al Khwarizmi Educational Company	Kingdom of Saudi Arabia	100	100
Al Ghad National Schools Company	Kingdom of Saudi Arabia	100	100

The Group’s head office is located in Riyadh,
P.O. Box.41980 Riyadh 11531
Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Certified Public Accountants (SOCPA).

These condensed consolidated interim financial statements should be read in conjunction with the Group’s financial statements for the year ended 31 August 2020. These condensed consolidated interim financial statements do not include all the required information to prepare a full set of financial statements in accordance with IFRS; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the previous year consolidated financial statements.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for employees’ benefits obligations which are measured using the projected credit unit, the accrual basis of accounting and the going concern concept.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyal (“SAR”), which is the functional and presentation currency of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1- Basis of consolidation

1) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred at the acquisition is generally measured at fair value of the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the three-month period ended 30 November 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1- Basis of consolidation (Continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

2) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases.

3) Non-controlling interest ("NCI")

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions.

4) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity and any gain or loss is recognized in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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 best economic considerations 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 same 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 condensed consolidated interim 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).

NATIONAL COMPANY FOR LEARNING AND EDUCATION
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(UNAUDITED)
For the three-month period ended 30 November 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2- Fair value measurement (continued)

For assets and liabilities that are recognized in the condensed consolidated interim 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.

3- Revenue recognition

The Group recognizes revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to the customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognition of revenue	The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Identify the contract with customer

The Group carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognized only when performance obligations in contracts with customers are satisfied. A change in the scope or price (or both) of a contract is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

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(UNAUDITED)
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3- Revenue recognition (continued)

Identify the performance obligations

Once the Group has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

Determine the transaction price

The Group determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any).

Variable considerations are limited to the amount for which it is highly probable that a significant reversal will not occur when the uncertainties related to the variability are resolved.

Allocation of transaction price

Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Group is required to use observable information, if available. If stand-alone selling prices are not directly observable, the Group makes estimates based on information that is reasonably available.

Recognition of revenue

Revenue is recognized only when the Group satisfies a performance obligation by transferring control of a promised service to the customer. Control may be transferred over time or at a point in time. Where a performance obligation is satisfied overtime, the Group identifies the progress under the contract based on either of an input or output method which best measures the performance completed to date. The method selected is applied consistently to similar performance obligations and in similar circumstances.

The Group believes that it fulfills its performance obligations in its contracts with customers over time, and hence it recognizes revenue as and when it fulfills its obligations under contracts with customers.

The Group generates following revenue stream that are covered under IFRS 15 'Revenue from Contracts with Customers'.

Education services

Revenue is recognized when education services to registered students at schools are provided for each educational year and recognized net of discounts and exemptions.

Other operating income

Other operating income is recognized once performance obligation is satisfied based on the agreement between the Group and the counterparty.

4- Financial instruments

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investments; FVOCI – equity investments; or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not classified at fair value through profit or loss.

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured (unless it is a receivable without a significant financing component that is initially measured at the transaction price) at fair value, for an item not at FVTPL, plus transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial asset at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Group has no debt investments at FVOCI or equity investments at FVOCI.

Impairment of financial asset

The financial assets at amortized cost consist of receivables, cash and cash equivalents and other debit balances.

Loss provisions are measured on the bases of Expected Credit Losses ("ECLs") over lifetime of a financial instrument: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs.

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(UNAUDITED)
For the three-month period ended 30 November 2020
(Amounts in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all value shortfalls (i.e. the difference between cash flows due to the Group in accordance with the contract and cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For receivables, the Group applies the simplified approach to estimate ECLs.

Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are impaired. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss provisions for financial assets are deducted from the gross carrying amount of the assets.

Impairment losses related to trade receivables, if any, are presented in the condensed consolidated statement of profit or loss under a separate item.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Disposal

Financial assets

A financial asset (or part of a group of similar financial assets) is primarily derecognized (i.e., excluded from the condensed consolidated interim statement of financial position of the Group) in the following cases:

- The rights to receive cash flows from the asset have been expired;
- The Group has transferred its rights to receive cash flows from the asset, or assumed an obligation to pay cash flows received in full without delay to a third party under a "pass" arrangement; (a) the Group substantially transferred all the risks and rewards of the asset; or (b) transferred control over the asset and the Group has neither transferred nor retained substantially the risks and rewards of the financial asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

Financial liabilities

The Group derecognizes financial liabilities when its contractual obligations are discharged, cancelled or expired. The Group also derecognizes financial liabilities when the terms and cash flows of the modified obligation are substantially modified, in which case a new financial liability is recognized based on the modified terms at fair value.

On disposal of a financial liability, the difference between the amortized carrying amount and the amount paid (including any non-cash assets transferred or charged liabilities) is recognized in the condensed consolidated statement of profit or loss.

5- Share premium

The share premium represents the difference between the value of the share and its par value at the date of issuance, after deducting subscription expenses as set out in the published prospectus and should not be distributed as dividends to the shareholders.

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4. PROPERTY, PLANT AND EQUIPMENT

	Lands (*)	Buildings and improvements on buildings	Furnitures & fixtures	Computers and equipment	Motor vehicles	Projects in progress (**)	Total
Cost							
As at 1 September 2019	101,308,775	223,110,377	28,896,075	48,933,493	7,279,204	172,849,803	582,377,727
Additions during the year	--	9,674,414	5,267,096	5,930,588	1,896,322	69,036,294	91,804,714
Disposals during the year	--	--	--	--	(1,160,640)	--	(1,160,640)
Transferred from projects in progress	--	9,155,975	208,776	1,370,791	--	(10,735,542)	--
As at 31 August 2020	101,308,775	241,940,766	34,371,947	56,234,872	8,014,886	231,150,555	673,021,801
Additions during the period	--	--	1,676,123	808,023	--	2,362,653	4,846,799
Transferred from projects in progress	11,394,900	25,473,315	1,361,954	4,793,279	--	(43,023,448)	--
As at 30 November 2020	112,703,675	267,414,081	37,410,024	61,836,174	8,014,886	190,489,760	677,868,600
Accumulated depreciation							
As at 1 September 2019	--	66,571,292	25,236,991	42,365,132	7,263,929	--	141,437,344
Charge for the year	--	5,735,694	3,728,438	4,275,159	1,874,632	--	15,613,923
Disposals during the year	--	--	--	--	(1,160,640)	--	(1,160,640)
As at 31 August 2020	--	72,306,986	28,965,429	46,640,291	7,977,921	--	155,890,627
Charge for the period	--	997,945	287,487	544,157	5,870	--	1,835,459
As at 30 November 2020	--	73,304,931	29,252,916	47,184,448	7,983,791	--	157,726,086
Net book value							
As at 30 November 2020	112,703,675	194,109,150	8,157,108	14,651,726	31,095	190,489,760	520,142,514
As at 31 August 2020	101,308,775	169,633,780	5,406,518	9,594,581	36,965	231,150,555	517,131,174

(*) Lands include mortgaged lands to the Ministry of Finance represented in the land of Tarbyah Namouthajiyah Schools/ Al-Rawabi District amounting to SR 19,681,750 and the land of Tarbyah Namouthajiyah Schools/ Al-Nuzha District amounted to SR 16,658,500 as at 30 November 2020. In addition, Buildings include a building mortgaged for the benefit of the Ministry of Finance which represents the branch of Tarbyah Namouthajiyah Schools/Al-Rawabi district with net carrying amount of SR 46,110,709 as at 30 November 2020 to secure both loans from the Ministry of Finance (Note 6.1 & 6.2).

(**) Projects in progress includes the project of schools in Al-Qairawan District which includes a plot of land to establish schools in Al-Qairawan District in the amount of SR 44,587,500 mortgaged to a local bank provided that release of mortgage shall be carried out subsequent to paying the last installment of the loan on 8 March 2022, note (6.4).

Further, Khobar Al Qasr project scheme represents two plots of land in Al Qasr scheme in Khobar in a total amount of SR 18,185,377 mortgaged to a local bank provided that the release of mortgage of the land shall be carried out subsequent to paying the last installment of the loan on 18 May 2023 (note 6.5).

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

Right-of-use assets

	30 November 2020	31 August 2020
Balance at the beginning of the period / year	72,462,593	--
Additions during the period / year	--	74,055,395
Depreciation for the period / year	(1,602,569)	(1,592,802)
Balance at end of the period / year	70,860,024	72,462,593

Leases liabilities on the right-of-use assets

	30 November 2020	31 August 2020
Balance at the beginning of the period / year	72,692,223	--
Additions during the period / year	--	76,961,502
Interest expense for the period / year	641,528	847,388
Lease payments during the period / year	--	(5,116,667)
Balance at end of the period / year	73,333,751	72,692,223
Current portion of lease liability on right-of-use assets	5,624,102	4,389,277
Non-current portion of lease liability on right-of-use assets	67,709,649	68,302,946
Lease liability on right-of-use assets	73,333,751	72,692,223

6. ISLAMIC MURABAHA AND MINISTRY OF FINANCE LOANS

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

Loans from the Ministry of Finance without financial charges

- 6.1 Loan from the Ministry of Finance under loan contract no. 42 to finance the establishment of an educational compound on 1 March 2009 corresponding to 4 Rabi I 1430H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Rawabi District (previously Al Hadara School in Riyadh). The payment must be in ten annual equal installments. The first installment would start after four years from the date of contract. This loan does not carry any finance charges. Eight installments have been paid amounting to SR 20 million.

The balance of the loan amounted to SR 5 million at 30 November 2020. This loan is secured by mortgaging title deed and ownership of real estate including the mortgage of the project land and any constructions thereon whether in the past or in future for the benefit of the Ministry of Finance.

- 6.2 Loan from the Ministry of Finance under loan contract no. 49 to finance the establishment of an educational compound on 5 January 2010 corresponding to 19 Muharram 1431H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Nuzha District. The amount has been received in installments in the amount of SR 25,000,000 provided that the payment must be in ten annuals equal installments. The first installment would start after four years from the date of contract. This loan does not carry any finance charges. Seven installments of the loan have been paid amounting to SR 17.5 million.

The balance of the loan amounted to SR 7.5 million at 30 November 2020. This loan is secured by mortgaging title deed and ownership of real estate for the benefit of the Ministry of Finance.

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

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

	30 November 2020	31 August 2020
Balance at beginning of the period / year	12,500,000	17,500,000
Repayments during the period / year	--	(5,000,000)
Balance at end of period / year	12,500,000	12,500,000

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

Total loans at end of the period / year	12,500,000	12,500,000
<u>Less: deferred financial charges</u>		
Balance at beginning of the period / year	(798,521)	(1,993,285)
Finance costs for the period / year	214,280	1,194,764
Balance at end of period / year	(584,241)	(798,521)

Present value of loans at end of the period/ year	11,915,759	11,701,479
--	-------------------	------------

- 6.3 Deferred revenue "government grants" have been recognized by the difference between the present value of government loans and their nominal value granted by the Ministry of Finance to the Group (notes 6.1 and 6.2).

	30 November 2020	31 August 2020
Balance at beginning of the period / year	798,521	1,993,285
Amortizations during the period/ year	(214,280)	(1,194,764)
Deferred revenue of government grants at the end of the period/ year	584,241	798,521
Current portion of deferred revenue of government grants	451,308	602,665
Non-current portion of deferred revenue of government grants	132,933	195,856
Deferred revenue of government grants at the end of the period/ year	584,241	798,521

Islamic Murabaha from commercial banks

- 6.4 Murabaha from a commercial bank to finance purchasing a plot of land in Al-Qairawan district in Riyadh on 7 March 2016 corresponding to 27 Jumada I 1437H. Murabaha has been obtained amounting to SR 40,697,967 including returns of SR 9,721,973 at a profit return rate of 7.5% provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 4,069,797 each. The first installment was repaid on 10 September 2017. Murabaha has been obtained through mortgaging this land in the name of a subsidiary of the bank as a collateral, provided that release of mortgage shall be carried out subsequent to paying the last installment on 8 March 2022.

The balance of Murabaha at 30 November 2020 amounted to SR 16,279,186.

- 6.5 Murabaha from a commercial bank to finance purchasing a plot of land in Khobar on 18 May 2017 corresponding to 21 Sha'ban 1438H. Murabaha has been obtained amounting to SR 16,975,695 including returns of SR 4,341,174 at profit return rate of 8.25% to purchase two plots of land to build schools in Khobar provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 1,626,808 each. The first installment was repaid on 18 November 2018. Murabaha has been obtained by mortgaging these lands in the name of a subsidiary of the bank provided that the release of mortgage shall be carried out subsequent to the repayment of the last installment on 18 May 2023. The balance of Murabaha at 30 November 2020 amounted to SR 11,387,656.

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

- 6.6 Murabaha from a commercial bank to finance a school complex in Al-Qairawan district in Riyadh and a school complex in Khobar on 15 August 2017 corresponding to 23 Dhul Qi'dah 1438H. The facility agreement has been approved by the General Assembly in its meeting held on 8 January 2018 corresponding to 21 Rabi II 1439H as a facility with a limit of SR 150 million has been obtained for a period of 7 years includes returns at profit return rate at SIBOR +2% provided that the facility shall be repaid in semi-annual installments. The facility has been obtained through mortgaging real estates of the facility in addition to a promissory note with the maximum limit of the amount or outstanding thereof and amerceable bail and performing by the Chairman and the Managing Director at the date of obtaining Murabaha. An amount of SR 1,269,585 has been utilized including returns of SR 360,495. The first installment will be paid on 13 January 2019.

The balance of Murabaha at 30 November 2020 amounted to SR 1,166,586.

Movement in Islamic Murabaha from commercial banks during the period / year is as follows:

	30 November 2020	31 August 2020
Balance at beginning of the period / year	28,833,428	38,651,328
Repayments during the period / year	--	(9,817,900)
Balance at end of period / year	28,833,428	28,833,428
The present value of Islamic Murabaha granted by commercial banks is as follows:	30 November 2020	31 August 2020
Total Murabaha at end of period / year	28,833,428	28,833,428
<u>Less: deferred financial charges</u>		
Balance at beginning of the period / year	(2,371,386)	(4,315,068)
Balance at end of period / year	504,030	1,943,682
Total Murabaha at end of period / year	(1,867,356)	(2,371,386)
Present value of Islamic Murabaha at end of the period / year	26,966,072	26,462,042

- 6.7 The total Islamic Murabaha and Ministry of Finance loans during the period/year are as follows:

	30 November 2020	31 August 2020
Balance at beginning of the period/year	41,333,428	56,151,328
Repayments during the period / year	--	(14,817,900)
Balance at end of the period / year	41,333,428	41,333,428
<u>Less: deferred financial charges</u>		
Balance at beginning of the period/year	(3,169,907)	(6,308,353)
Finance costs during the period/ year	718,310	3,138,446
Balance at end of the period / year	(2,451,597)	(3,169,907)
Present value of Islamic Murabaha and Ministry of Finance loans at end of the period/ year	38,881,831	38,163,521
Current portion of Islamic Murabaha and Ministry of Finance loans	28,498,631	13,253,334
Non-current portion of Islamic Murabaha and Ministry of Finance loans	10,383,200	24,910,187
Present value of Islamic Murabaha and Ministry of Finance loans at end of the period/ year	38,881,831	38,163,521

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7. ADVANCE FORM CUSTOMERS

Advance form customers represent education fees collected in advance for educational services for the remaining period of current academic year.

8. FINANCIAL ASSETS AND LIABILITIES

8.1 Financial assets

	30 November 2020	31 August 2020
<u>Financial assets at amortized cost:</u>		
Accounts receivable	42,486,116	36,305,494
Prepayments and other receivables	24,682,901	18,747,356
Cash and cash equivalents	104,453,232	107,519,296
Total financial assets at amortized cost	171,622,249	162,572,146

8.2 Financial liabilities

	30 November 2020	31 August 2020
<u>Financial liabilities at amortized cost:</u>		
Islamic Murabaha and Ministry of Finance loans	38,881,831	38,163,521
Accounts payable	1,680,249	1,534,525
Lease liability on right-of-use assets	73,333,751	72,692,223
Accrued expenses and other payables	13,470,417	12,759,432
Total financial liabilities at amortized cost	127,366,248	125,149,701
 Current portion of financial liabilities	 49,273,399	 31,936,568
Non-current portion of financial liabilities	78,092,849	93,213,133
Total financial liabilities	127,366,248	125,149,701

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

9. SHARE CAPITAL

The Company's share capital amounting to SR 430 million (2019: SR 430) divided into 43 million shares (2019: 43 million shares) with a nominal value of SR 10 each.

10. COMMITMENTS

	30 November 2020	31 August 2020
Contractual commitments for suppliers	773,493	534,885
Capital commitments - projects in progress	19,982,719	21,501,193
	20,756,212	22,036,078

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11. RELATED PARTIES

The Group transacts with related parties in ordinary course of business. These transactions are carried out at mutually agreed terms and are approved by Group's management. Following are the details of significant transactions with related parties:

<u>Name of related parties</u>	<u>Nature of transaction</u>	<u>30 November 2020</u>	<u>31 August 2020</u>
Aja Trading and Contracting Company – affiliate	Construction contract	500,000	8,530,878
Revan operation and Maintenance Company – Affiliate	Manpower and supervision on projects in progress	1,676,978	7,360,519
Specialized Buildings Company – Affiliate	Consulting and supervision on projects in progress	4,423	877,163
Yamami Holding Company– Affiliate	Buildings rental	--	875,000
		<u>30 November 2020</u>	<u>31 August 2020</u>
Due from related parties (within prepayments and other receivables)			
Aja Trading and Contracting Company		<u>176,533</u>	<u>167,533</u>
		<u>176,533</u>	<u>167,533</u>
Due to related parties (within accrued expenses and other current liabilities)			
Aaj Investment Company		104,002	104,002
Specialized Buildings Company		10,307	--
Revan operation and Maintenance Company		84,625	438,989
Yamami Holding Company		750,000	750,000
		<u>948,934</u>	<u>1,292,991</u>
Key management compensation			
		<u>30 November 2020</u>	<u>30 November 2019</u>
Salaries and other benefits - short term		<u>518,475</u>	<u>831,585</u>

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12. SEGMENT REPORTING

The Group operates in the acquire and management of private schools for public education. Information related to operating segments of the Group mentioned below are regularly submitted to Operating Decision Makers in the Group.

- The Group's activities are related to the following main business segments:

- Al-Rayyan schools
- Al-Rawabi schools
- Al-Nuzha schools
- Qurtubah schools
- Beridaa schools
- Al Khwarizmi Schools
- Al Ghad Schools
- Al Qairwan Schools

	Three-month period ended 30 November 2020									
	Al-Rayyan Schools	Al-Rawabi Schools	Al-Nuzha Schools	Qurtubah schools	Beridaa schools	Al Khwarizmi Schools	Al Ghad Schools	Al Qairwan schools	Projects in progress	Total
Revenues	9,574,295	11,622,878	8,771,558	932,147	895,121	2,762,594	5,251,019	2,305,326	--	42,114,938
Government grants and subsidies	585,539	592,965	643,858	76,982	101,308	135,135	139,798	61,678	--	2,337,263
Cost of revenue	(6,551,159)	(8,382,410)	(5,049,470)	(967,714)	(1,129,840)	(1,472,200)	(4,999,165)	(1,989,685)	--	(30,541,643)
Gross profit	3,608,675	3,833,433	4,365,946	41,415	(133,411)	1,425,529	391,652	377,319	--	13,910,558
Property, plant and equipment	83,194,971	68,035,216	79,623,755	32,673,721	38,022,163	8,047,061	1,713,025	18,342,842	190,489,760	520,142,514
Depreciation	284,243	371,557	491,311	136,322	214,122	140,779	71,594	125,531	--	1,835,459
	Three-month period ended 30 November 2019									
	Al-Rayyan Schools	Al-Rawabi Schools	Al-Nuzha Schools	Qurtubah schools	Beridaa schools	Al Khwarizmi Schools	Al Ghad Schools	Al Qairwan schools	Projects in progress	Total
Revenues	17,325,921	18,460,189	12,799,605	1,566,477	436,525	--	--	--	--	50,588,717
Government grants and subsidies	352,500	462,007	621,194	72,500	--	--	--	--	--	1,508,201
Cost of revenue	(10,130,315)	(12,033,313)	(7,912,576)	(1,341,818)	(453,591)	--	--	--	--	(31,871,613)
Gross profit	7,548,106	6,888,883	5,508,223	297,159	(17,066)	--	--	--	--	20,225,305
Property, plant and equipment	83,794,382	69,567,192	81,331,454	33,156,370	11,647,952	--	--	--	177,377,930	456,875,280
Depreciation	664,660	753,248	1,098,153	307,332	163,140	--	--	--	--	2,986,533

As the Group's activities and the way of its management, it is not practical to distribute the remaining assets and liabilities in accordance with different sectors.

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12. SEGMENT REPORTING (CONTINUED)

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

	30 November 2020	30 November 2019
Gross profit from sectors	13,910,558	20,225,305
Marketing and advertising expenses	(515,008)	(176,265)
General and administrative expenses	(8,106,537)	(7,236,528)
Other income	935,345	342,085
Impairment losses of account receivables	--	(470,000)
Finance costs, net	(1,611,202)	(362,157)
Total unallocated amount	(9,297,402)	(7,902,865)
Profit before Zakat	4,613,156	12,322,440

13. FINANCE COSTS, NET

	30 November 2020	30 November 2019
Finance costs for Islamic Murabaha	485,568	574,289
Finance costs for government grants	214,280	285,701
Interest cost of end of service benefits	366,000	381,000
Interests on liabilities for right-of-use of assets	641,528	--
Short-term Islamic Murabaha returns	(96,174)	(878,833)
	1,611,202	362,157

14. 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.

	30 November 2020	30 November 2019
Income for the period	3,788,156	11,638,626
Weighted average number of shares	43,000,000	43,000,000
	0.09	0.27

15. MATERIAL MATTERS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the globe including the Kingdom of Saudi Arabia, causing disruptions to businesses and economic activity. It is still uncertain 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 rate of transmission of the virus, the size and effectiveness of the measures taken with a view to containing it.

In conjunction with the Ministry of Education's announcement of remote education for the first semester of the year 2020/2021, and out of the Group's keenness on the participation of parents in bearing the burdens resulting from the outbreak of the Covid-19 pandemic, in appreciation of the Group's clients, and to preserve the student base in the educational complexes of the Group in a way that serves achieving the Group's long-term growth targets, the Group has provided discounts in various educational stages starting from 50% for kindergarten and grade 1, in addition

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15. MATERIAL MATTERS (CONTINUED)

to discounts of 20% to 25% for the remaining educational grades and stages, from the tuition fees for the first semester of the academic year 2020-2021.

On the other hand, the Group continuously assesses cost items according to operating requirements and current conditions.

16. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved for issuance on 23 Jumada I 1442H (corresponding to 7 January 2021).