NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(**unaudited**)
For the three-month and nine-month periods ended
At 31 May 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 and nine-month periods ended
At 31 May 2020

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KPMG

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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 31 May 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 31 May 2020,
- The condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 31 May 2020,
- The condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 31 May 2020,
- the condensed consolidated statement of changes in equity for the nine-month period ended 31 May 2020,
- The condensed consolidated statement of cash flows for the nine-month period ended 31 May 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 consolidated 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 31 May 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: 21 Dhul Qi'dah 1441H
Corresponding to: 12 July 2020

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 May 2020
(Amounts in Saudi Riyals)

	Note	31 May 2020 (Unaudited)	31 August 2019 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**509,454,710**	440,940,383
Intangible assets	5	**82,817,692**	11,906,384
Right-of-use assets	4	**123,391,951**	--
Total non-current assets		**715,664,353**	452,846,767
Current assets			
Inventories		**2,270,455**	1,144,078
Prepayments and other receivables		**22,545,705**	16,655,687
Accounts receivable		**55,988,466**	31,007,029
Cash and cash equivalents		**89,854,015**	240,045,569
Total current assets		**170,658,641**	288,852,363
Total assets		**886,322,994**	741,699,130
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**430,000,000**	430,000,000
Share premium	10	**100,985,697**	100,985,697
Statutory reserve		**23,268,013**	23,268,013
Retained earnings		**53,460,678**	51,284,897
Total equity		**607,714,388**	605,538,607
Non-current liabilities			
Non-current portion of Islamic Murabaha and Ministry of Finance loans	7.7	**22,127,083**	34,433,917
Employees' benefits		**50,981,210**	42,237,917
Non-current portion of deferred revenue of government grants	7.3	**512,369**	957,635
Non-current portion of lease liability on right-of-use assets	4	**123,728,271**	--
Total non-current liabilities		**197,348,933**	77,629,252
Current liabilities			
Current portion of Islamic Murabaha and Ministry of Finance loans	7.7	**15,343,628**	15,409,058
Unearned revenue	8	**36,348,575**	31,802,103
Current portion of lease liability on right-of-use assets	4	**6,349,361**	--
Accounts payable		**427,006**	1,300,645
Current portion of deferred revenue of government grants	7.3	**728,539**	1,035,650
Accrued expenses and other current liabilities		**19,744,400**	7,120,277
Provision for Zakat		**2,318,164**	1,863,538
Total current liabilities		**81,259,673**	58,531,271
Total liabilities		**278,608,606**	136,160,523
Total equity and liabilities		**886,322,994**	741,699,130

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
(UNAUDITED)
For the three-month and nine-month periods ended 31 May 2020
(Amounts in Saudi Riyals)

	Note	For the three-month period ended		For the nine-month period ended	
		31 May 2020	31 May 2019	**31 May 2020**	31 May 2019
Revenue		**55,726,540**	49,384,527	**160,670,746**	148,613,215
Government grants and subsidies		**1,479,566**	1,979,294	**5,118,808**	7,504,013
Cost of revenue		**(32,769,134)**	(30,040,295)	**(96,910,477)**	(92,348,556)
Gross profit		**24,436,972**	21,323,526	**68,879,077**	63,768,672
Marketing and advertising expenses		**(254,401)**	(303,868)	**(917,733)**	(669,014)
General and administrative expenses		**(7,808,840)**	(8,625,425)	**(23,961,302)**	(24,198,902)
Other income		**20,995**	2,976,804	**978,458**	4,121,362
Impairment of accounts receivable		**(2,141,025)**	(1,537,014)	**(3,243,481)**	(3,111,033)
Operating profit		**14,253,701**	13,834,023	**41,735,019**	39,911,085
Finance costs, net	14	**(1,479,408)**	(23,668)	**(2,341,400)**	(1,701,765)
Profit for the period before Zakat		**12,774,293**	13,810,355	**39,393,619**	38,209,320
Zakat		**(647,297)**	(354,420)	**(2,184,875)**	(1,110,830)
Profit for the period		**12,126,996**	13,455,935	**37,208,744**	37,098,490
Earnings per share:					
Basic and diluted earnings per share	15	**0.28**	0.31	**0.87**	0.94

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 31 May 2020
(Amounts in Saudi Riyals)

	For the three-month period ended		**For the nine-month period ended**	
	31 May 2020	31 May 2019	**31 May 2020**	31 May 2019
Profit for the period	**12,126,996**	13,455,935	**37,208,744**	37,098,490
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains / (losses) from re-measurement of employees' end of service benefits	**1,038,907**	754,000	**(632,963)**	3,929,000
Total items that will not be reclassified to profit or loss in subsequent periods	**1,038,907**	754,000	**(632,963)**	3,929,000
Total other comprehensive income/ (loss) for the period	**1,038,907**	754,000	**(632,963)**	3,929,000
Total comprehensive income for the period	**13,165,903**	14,209,935	**36,575,781**	41,027,490

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-month period ended 31 May 2020
(Amounts in Saudi Riyals)

	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance as at 1 September 2018 (audited)	300,000,000	--	18,228,764	24,508,165	342,736,929
Effect of adoption of IFRS 9	--	--	--	(5,225,505)	(5,225,505)
Balance as at 1 September 2018 (audited)	300,000,000	--	18,228,764	19,282,660	337,511,424
Capital increase - (note 10)	130,000,000	--	--	--	130,000,000
Share premium - (note 10)	--	100,985,697	--	--	100,985,697
Total	430,000,000	100,985,697	18,228,764	19,282,660	568,497,121
Profit for the period	--	--	--	37,098,490	37,098,490
Other comprehensive income	--	--	--	3,929,000	3,929,000
Total comprehensive income for the period	--	--	--	41,027,490	41,027,490
Dividends - (note 16)	--	--	--	(17,200,000)	(17,200,000)
Balance as at 31 May 2019	**430,000,000**	**100,985,697**	**18,228,764**	**43,110,150**	**592,324,611**
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	**--**	**--**	**--**	**37,208,744**	**37,208,744**
Other comprehensive income	**--**	**--**	**--**	**(632,963)**	**(632,963)**
Total comprehensive income for the period	**--**	**--**	**--**	**36,575,781**	**36,575,781**
Dividends - (note 16)	**--**	**--**	**--**	**(34,400,000)**	**(34,400,000)**
Balance as at 31 May 2020 (unaudited)	**430,000,000**	**100,985,697**	**23,268,013**	**53,460,678**	**607,714,388**

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(UNAUDITED)
For the nine-month period ended 31 May 2020
(Amounts in Saudi Riyals)

	31 May 2020	31 May 2019
Cash flows from operating activities		
Profit for the period before Zakat	**39,393,619**	38,209,320
Adjustments for:		
Amortization and depreciation	**7,058,028**	8,841,816
Depreciation - right-of-use assets	**799,574**	--
Employees' benefits	**3,392,415**	3,112,842
Realized revenue from government grants	**(752,377)**	(957,916)
Short term Islamic deposits returns	**(2,066,136)**	(2,620,066)
Gains on sale of property, plant and equipment	**(125,714)**	--
Finance costs	**4,407,536**	4,375,169
Impairment losses of accounts receivable	**3,243,481**	3,111,033
	55,350,426	54,072,198
Changes in operating assets and liabilities		
Accounts receivable	**(25,208,621)**	(6,675,461)
Inventories	**34,240**	1,212,115
Prepayments and other accounts receivable	**896,637**	(1,424,411)
Accounts payable	**(973,258)**	977,375
Accrued expenses and other payables	**6,799,745**	592,305
Unearned revenue	**(6,382,022)**	17,714,865
Employees' benefits paid	**(3,475,783)**	(2,822,842)
Zakat paid	**(1,755,661)**	(1,549,439)
Net cash from operating activities	**25,285,703**	62,096,705
Cash Flows from investing activities		
Additions to property, plant and equipment and projects in progress	**(64,792,137)**	(40,477,518)
Proceeds from disposals of property, plant and equipment	**125,714**	--
Proceeds from short-term Islamic Murabaha returns	**2,066,136**	2,620,066
Net payments for acquisition of subsidiaries	**(63,684,818)**	--
Net cash used in investing activities	**(126,285,105)**	(37,857,452)
Cash flows from financing activities		
Proceeds from issuance of share capital	**--**	130,000,000
Proceeds from share premium on issuance of share capital	**--**	100,985,697
Repayment of Islamic Murabaha and Ministry of Finance loans	**(14,792,152)**	(16,418,959)
Dividends paid	**(34,400,000)**	(17,200,000)
Net (used in) / cash from financing activities	**(49,192,152)**	197,366,738
Net change in cash and cash equivalents	**(150,191,554)**	221,605,991
Cash and cash equivalents at beginning of the period	**240,045,569**	37,280,096
Cash and cash equivalents at the end of the period	**89,854,015**	258,886,087

Non-cash transactions during the period

Actuarial (losses)/ gains on re-measurement of employees' benefits	**(632,963)**	3,929,000
Capitalized returns on projects in progress	**54,714**	--
Transferred from projects under progress	**10,735,542**	--

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

(Amounts in Saudi Riyals)

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 dated 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 its 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 2019.

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.

On 10 Rabi I 1440H (corresponding to 18 November 2018), the company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4291). The Company's share capital after the IPO was SR 430 million divided into 43 million shares through issuing 13 million shares at a par value of SAR 10 per share in addition to share premium of SR 100.98 million (note 10).

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

		Ownership %	
Subsidiary Company	**Country of incorporation**	**31 May 2020**	31 August 2019
Al Khwarizmi Educational Company	KSA	**100**	--
Al Ghad National Schools Company	KSA	**100**	--

The Group's head office is located in Riyadh,
P.O. Box.41980 Riyadh 11531
KSA

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 2019. 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 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 unit credit, the accrual basis of accounting and the going concern concept.

Functional currency and presentation currency

These condensed interim consolidated financial statements are presented in Saudi Riyal ("SAR"), which is the functional and presentational 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1- Basis of consolidation (continued)

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 appropriate 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 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).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a 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 (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

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

Other income is recognized when the related services are provided.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

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 (unless it is a receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, 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 and cash and cash equivalents.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

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 interim 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) 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.

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 interim 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 may not be distributed as dividends to the shareholders.

4. CHANGES IN ACCOUNTING POLICIES

IFRS 16 "Leases"

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

- - IAS 17 "Leases".
- -IFRIC 4 "Determining whether an Arrangement contains a Lease".
- -SIC 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 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.
(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. 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 if it will choose the purchase, extension or termination.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16 "Leases" (continued)
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 profit or loss 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 if 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
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

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.

(Amounts in Saudi Riyals)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16 "Leases" (continued)

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".

Impact on the condensed consolidated interim financial statements
During the period, the Group has acquired subsidiaries, and as a result of this acquisition, the Group has recognized the right-of-use assets and lease liabilities. The amounts recognized during the period are summarized as follows:

a. Right-of-use asset

	31 May 2020
Opening balance	--
Right-of-used assets as a result of acquisition of subsidiaries	**124,191,525**
Depreciation charged	**(799,574)**
Closing balance	**123,391,951**

b. Liabilities for right-of-use assets

	31 May 2020
Opening balance	--
Liabilities for right-of-use assets as a result of acquisition of a subsidiary (Al Khwarizmi Educational Company) (note 5)	**21,848,444**
Liabilities for right-of-use assets as a result of acquisition of a subsidiary (Al Ghad National Schools Company) (note 5)	**107,242,826**
Interest on lease liabilities	**986,362**
Payments during the period	--
Closing balance	**130,077,632**
Current portion of lease liability on right-of-use assets	**6,349,361**
Non-current portion of lease liability on right-of-use assets	**123,728,271**
Lease liability on right-of-use assets	**130,077,632**

5. ACQUISITION OF SUBSIDIARIES

- **Acquisition of Al Khwarizmi Educational Company's shares:**
On 1 December 2019, the Group has acquired 100% controlling interests of Al-Khwarizmi Educational Company's voting rights (the "subsidiary"). As the Group obtains control over the subsidiary, its financial statements have been consolidated in these condensed consolidated interim financial statements.

Al-Khwarizmi Educational Company is engaged in the field of education with national curriculum.

(Amounts in Saudi Riyals)

5. ACQUISITION OF SUBSIDIARIES (CONTINUED)

- **Acquisition of Al Khwarizmi Educational Company's shares (Continued)**

For the nine-month period ended 31 May 2020, and since the acquisition date on 1 December 2019, Al-Khwarizmi Educational Company's revenue amounted to SR 7.8 million of the Group's revenue and net income of SR 3.1 million of the Group's net income. The Group's management estimated that had the acquisition been from 1 September 2019, the Group's revenue and net income would have been SR 181.8 million, SR 32.8 million, respectively.

The table below summarizes the consideration transferred, the value of the assets acquired and the liabilities assumed at the date of acquisition:

	1 December 2019
Assets	
Property, plant and equipment	**8,608,407**
Right-of-use assets	**18,330,249**
Prepayments and other receivables	**3,331,174**
Account receivable	**875,510**
Cash and cash equivalents	**2,758,019**
Total assets	**33,903,359**
Liabilities	
Lease liability on right-of-use assets	**21,848,444**
Employees' benefits	**606,734**
Unearned revenue	**5,353,414**
Accrued expenses and other payables	**1,770,195**
Provision for Zakat	**25,237**
Total liabilities	**29,604,024**
Identifiable net assets at acquisition date*	**4,299,335**
Result of the acquisition	
consideration transferred - cash	**30,000,000**
Identifiable net assets	**(4,299,335)**
Goodwill**	**25,700,665**

* The fair value of identifiable net assets has been measured provisionally until the completion of the independent valuation process.

** The goodwill arising from the acquisition of Al Khwarizmi Educational Company has been allocated as a cash-generating unit.

The Group has incurred an amount of SR 1.108.354, which represents costs of acquisition process, charged to general and administrative expenses.

- **Acquisition of Al Ghad National Schools Company's shares:**

On 1 May 2020, the Group has acquired 100% controlling interests of Al Ghad National Schools Company's voting rights (the "subsidiary"). As the Group obtains control over the subsidiary, its financial statements have been consolidated in these condensed consolidated interim financial statements.

Al Ghad National Schools Company is engaged in the field of education with national curriculum.

For the nine-month period ended 31 May 2020, and since the acquisition date on 1 May 2020, Al Ghad National Schools Company's revenue amounted to SR 2.2 million of the Group's revenue and net losses of SR 0.4 million of the Group's net income. The Group's management estimated that had the acquisition been from 1 September 2019, the Group's revenue and net income would have been SR 181.8 million, SR 32.8 million, respectively.

(Amounts in Saudi Riyals)

5. ACQUISITION OF SUBSIDIARIES (CONTINUED)

- **Acquisition of Al Ghad National Schools Company's shares (continued):**

The table below summarizes the consideration transferred, the value of the assets acquired and the liabilities assumed at the date of acquisition:

ASSETS	**1 May 2020**
Property, plant and equipment	**1,901,723**
Right-of-use assets	**105,861,276**
Inventories	**1,160,617**
Prepayments and other receivables	3,455,481
Account receivable	2,140,787
Cash and cash equivalents	**223,829**
Total assets	**114,743,713**
Liabilities	
Lease liability on right-of-use assets	**107,242,826**
Employees' benefits	**6,531,181**
Unearned revenue	**5,575,080**
Accrued expenses and other payables	**4,153,802**
Provision for Zakat	**175**
Total liabilities	**123,503,064**
Identifiable net liabilities at acquisition date*	**(8,759,351)**
Result of the acquisition	
consideration transferred - cash	**36,666,666**
Identifiable net liabilities	**8,759,351**
Goodwill**	**45,426,017**

* The fair value of identifiable net assets has been measured provisionally until the completion of the independent valuation process.

** The goodwill arising from the acquisition of Al Ghad National Schools Company has been allocated as a cash-generating unit.

The Group has incurred an amount of SR 487.669, which represents costs of acquisition process, charged to general and administrative expenses.

(Amounts in Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT

	Land (*)	Buildings and improvements on buildings	Furnitures & fixtures	Computers and equipment	Motor vehicles	Projects in progress (**)	Total
Cost							
As at 1 September 2018	101,308,775	222,973,661	28,574,302	49,423,661	7,279,204	110,673,926	520,233,529
Additions during the year	--	136,716	321,773	401,432	--	62,175,877	63,035,798
Disposals during the year	--	--	--	(891,600)	--	--	(891,600)
As at 31 August 2019	**101,308,775**	**223,110,377**	**28,896,075**	**48,933,493**	**7,279,204**	**172,849,803**	**582,377,727**
Additions as a result of acquisition	--	9,165,764	3,255,965	3,825,846	1,896,322	--	18,143,897
Additions during the period	--	509,500	1,788,820	2,013,889	--	60,534,642	64,846,851
Disposals during the period	--	--	--	--	(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 May 2020	**101,308,775**	**241,941,616**	**34,149,636**	**56,144,019**	**8,014,886**	**222,648,903**	**664,207,835**
Accumulated depreciation							
As at 1 September 2018	--	59,600,346	23,199,608	40,566,408	7,256,929	--	130,623,291
Charge for the year	--	6,970,946	2,037,383	2,434,963	7,000	--	11,450,292
Disposals during the year	--	--	--	(636,239)	--	--	(636,239)
As at 31 August 2019	**--**	**66,571,292**	**25,236,991**	**42,365,132**	**7,263,929**	--	**141,437,344**
Additions as a result of acquisition	--	1,335,258	2,333,797	2,249,549	1,715,163	--	7,633,767
Charge for the period	--	3,933,780	1,293,955	1,595,774	19,145	--	6,842,654
Disposals during the period	--	--	--	--	(1,160,640)	--	(1,160,640)
As at 31 May 2020	**--**	**71,840,330**	**28,864,743**	**46,210,455**	**7,837,597**	**--**	**154,753,125**
Net book value							
As at 31 May 2020	**101,308,775**	**170,101,286**	**5,284,893**	**9,933,564**	**177,289**	**222,648,903**	**509,454,710**
As at 31 August 2019	101,308,775	156,539,085	3,659,084	6,568,361	15,275	172,849,803	440,940,383

(*) 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 31 May 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 46.435.338 as at 31 May 2020 to secure both loans from the Ministry of Finance (Note 7.1 & 7.2).

(**) Item of 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 (7.4).

Further, Khobar Al Qasr scheme project 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 7.5).

(Amounts in Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Change in accounting estimates

During the period, the Group has reviewed its previous estimates due to the existence of certain indicators and factors which indicate that the useful life of property, plant and equipment has changed. Accordingly, the Group has changed the pattern of depreciation of property, plant and equipment to reflect the new estimate, and the following table shows the pattern of depreciation used before and after adjustment:

Category of assets	Useful lives before modification	Useful lives after modification
Buildings and improvements on buildings	10-33	10-66 or until end of lease term
Furnitures & fixtures	7-10	10
Computers and equipment	4-10	4-25
Motor vehicles	5	10

The following table also illustrates the effect of the change in the useful lives on depreciation charge, accumulated depreciation and the net book value of property, plant and equipment:

Description	Before modification	After modification
Depreciation charge for the period	9,304,890	6,842,654
Accumulated depreciation	157,215,361	154,753,125
Net book value of property, plant and equipment	506,992,474	509,454,710

7. 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

7.1 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 31 May 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.

7.2 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 31 May 2020. This loan is secured by mortgaging title deed and ownership of real estate for the benefit of the Ministry of Finance.

(Amounts in Saudi Riyals)

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

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

	31 May 2020	31 August 2019
Balance at beginning of the period / year	**17,500,000**	22,500,000
Repayments during the period / year	**(5,000,000)**	(5,000,000)
Balance at end of period / year	**12,500,000**	17,500,000

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

	31 May 2020	31 August 2019
Total loans at end of the period / year	**12,500,000**	17,500,000
Less: deferred financial charges		
Balance at beginning of the period / year	**(1,993,285)**	(3,233,122)
Finance costs for the period / year	**752,377**	1,239,837
Balance at end of period / year	**(1,240,908)**	(1,993,285)
Current value of loans at end of the period/ year	**11,259,092**	15,506,715

7.3 Deferred revenue “government grants" have been recognized by the difference between the current value of government loans and their nominal value granted by the Ministry of Finance to the Group (notes 7.1 and 7.2).

	31 May 2020	31 August 2019
Balance at beginning of the period / year	**1,993,285**	3,233,122
Amortizations during the period/ year	**(752,377)**	(1,239,837)
Deferred revenue of government grants at the end of the period/ year	**1,240,908**	1,993,285
Current portion of deferred revenue of government grants	**728,539**	1,035,650
Non-current portion of deferred revenue of government grants	**512,369**	957,635
Deferred revenue of government grants at the end of the period/ year	**1,240,908**	1,993,285

Islamic Murabaha from commercial banks

7.4 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 said 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 31 May 2020 amounted to SR 16.279.187.

7.5 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 said 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 31 May 2020 amounted to SR 11.387.653.

(Amounts in Saudi Riyals)

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

7.6 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 31 May 2020 amounted to SR 1.192.336.

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

	31 May 2020	31 August 2019
Balance at beginning of the period / year	**38,651,328**	50,096,036
Repayments during the period / year	**(9,792,152)**	(11,444,708)
Balance at end of period / year	**28,859,176**	38,651,328

The current value of Islamic Murabaha granted by commercial banks is as follows:	**31 May 2020**	31 August 2019
Total Murabaha at end of period / year	**28,859,176**	38,651,328
<u>Less: deferred financial charges</u>		
Balance at beginning of the period / year	**(4,315,068)**	(7,134,644)
Balance at end of period / year	**1,667,511**	2,819,576
Total Murabaha at end of period / year	**(2,647,557)**	(4,315,068)
Current value of Islamic Murabaha at end of the period / year	**26,211,619**	34,336,260

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

	31 May 2020	31 August 2019
Balance at beginning of the period/year	**56,151,328**	72,596,036
Repayments during the period / year	**(14,792,152)**	(16,444,708)
Balance at end of the period / year	**41,359,176**	56,151,328
<u>Less:</u> deferred financial charges		
Balance at beginning of the period/year	**(6,308,353)**	(10,367,766)
Finance costs during the period/ year	**2,419,888**	4,059,413
Balance at end of the period / year	**(3,888,465)**	(6,308,353)
Current value of Islamic Murabaha and Ministry of Finance loans at end of the period/ year	**37,470,711**	49,842,975
Current portion of Islamic Murabaha and Ministry of Finance loans	**15,343,628**	15,409,058
Non-current portion of Islamic Murabaha and Ministry of Finance loans	**22,127,083**	34,433,917
Current value of Islamic Murabaha and Ministry of Finance loans at end of the period/ year	**37,470,711**	49,842,975

(Amounts in Saudi Riyals)

8. UNEARNED REVENUE

Unearned revenue represents education fees collected in advance for educational services for the remaining period of current academic year.

9. FINANCIAL ASSETS AND LIABILITIES

9.1 Financial assets

	31 May 2020	31 August 2019
Financial assets at amortized cost:		
Prepayments and other receivables	**22,545,705**	16,655,687
Accounts receivable	**55,988,466**	31,007,029
Cash and cash equivalents	**89,854,015**	240,045,569
Total financial assets at amortized cost	**168,388,186**	287,708,285

9.2 Financial liabilities

	31 May 2020	31 August 2019
Financial liabilities at amortized cost:		
Islamic Murabaha and Ministry of Finance loans	**37,470,711**	49,842,975
Accounts payable	**427,006**	1,300,645
Lease liability on right-of-use assets	**130,077,632**	--
Accrued expenses and other payables	**19,744,400**	7,120,277
Total financial liabilities at amortized cost	**187,719,749**	58,263,897
Current portion of financial liabilities	**41,864,395**	23,829,980
Non-current portion of financial liabilities	**145,855,354**	34,433,917
Total financial liabilities	**187,719,749**	58,263,897

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

10. SHARE CAPITAL

On 10 Rabi I 1440H (corresponding to 18 November 2018), the Company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4291). The Company's share capital after the IPO was SR 430 million divided into 43 million shares through issuing 13 million shares at a par value of SAR 10 per share. The share price on the issue date was SR 19 and the share premium was SR 117 million. The IPO expenses reduced the share premium amount by SR 16 million so the share premium balance at 31 May 2020 became SR 100.98 million.

11. COMMITMENTS

	31 May 2020	31 August 2019
Contractual commitments for suppliers	**427,006**	951,645
Capital commitments - projects in progress	**34,086,049**	79,651,300
	34,513,055	80,602,945

(Amounts in Saudi Riyals)

12. 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:

Name of related parties	Nature of transaction	31 May 2020	31 August 2019
Aja Trading and Contracting Company – affiliate	Contracting revenue	**7,574,163**	7,064,739
Revan operation and Maintenance Company – Affiliate	Manpower and supervision on projects in progress	**5,465,332**	7,337,260
Specialized Buildings Company – Affiliate	Consulting and supervision on projects in progress	**729,103**	--
Yamami Holding Company	Buildings rental	**437,500**	--

	31 May 2020	31 August 2019
Due from related parties (within prepayments and other receivables)		
Aja Trading and Contracting Company	**461,423**	196,956
	461,423	196,956
Due to related parties (within accrued expenses and other payables)		
Aaj Investment Company	**104,002**	104,002
Revan operation and Maintenance Company	**356,549**	700,961
Yamami Holding Company	**1,625,000**	--
	2,085,551	804,963

Key management compensation

	31 May 2020	31 May 2019
Salaries and other benefits	**2,634,755**	2,848,200

(Amounts in Saudi Riyals)

13. SEGMENT REPORTING

The Group operates in the ownership 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

Nine-month period ended 31 May 2020

	Al-Rayyan Schools	**Al-Rawabi Schools**	**Al-Nuzha Schools**	**Qurtubah schools**	**Beridaa schools (*)**	**Al Khwarizmi Schools**	**Al Ghad Schools**	**Projects in progress**	**Total**
Revenues	**47,916,024**	**54,726,521**	**41,864,436**	**4,731,630**	**1,409,699**	**7,838,910**	**2,183,526**	**--**	**160,670,746**
Government grants and subsidies	**1,334,668**	**1,711,995**	**1,794,613**	**199,609**	**2,923**	**75,000**	**--**	**--**	**5,118,808**
Cost of revenue	**(29,240,226)**	**(35,098,367)**	**(22,627,323)**	**(3,653,751)**	**(1,392,945)**	**(3,370,138)**	**(1,527,727)**	**--**	**(96,910,477)**
Gross profit	**20,010,466**	**21,340,149**	**21,031,726**	**1,277,488**	**19,677**	**4,543,772**	**655,799**	**--**	**68,879,077**
Property, plant and equipment	**83,277,080**	**68,757,317**	**80,051,568**	**32,961,227**	**11,519,925**	**8,366,307**	**1,872,383**	**222,648,903**	**509,454,710**
Depreciation	**1,441,845**	**1,688,970**	**2,476,801**	**608,313**	**344,508**	**252,877**	**29,340**	**--**	**6,842,654**

Nine-month period ended 31 May 2019

	Al-Rayyan schools	Al-Rawabi schools	Al-Nuzha schools	Qurtubah schools	Beridaa schools	Al Khwarizmi Schools	Al Ghad Schools	Projects in progress	Total
Revenues	50,302,201	53,744,229	42,135,988	2,430,797	--	--	--	--	148,613,215
Government grants and subsidies	1,911,436	2,342,483	2,969,277	280,817	--	--	--	--	7,504,013
Cost of revenue	(31,874,360)	(33,508,722)	(24,460,724)	(2,504,750)	--	--	--	--	(92,348,556)
Gross profit	20,339,277	22,577,990	20,644,541	206,864	--	--	--	--	63,768,672
Property, plant and equipment	83,886,426	70,570,809	83,416,899	33,239,179	--	--	--	150,285,353	421,398,666
Depreciation	2,068,026	2,356,297	3,351,974	856,968	--	--	--	--	8,633,265

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.
(*) Buraydah schools realizes a low gross profit as it is the first year of operation.

(Amounts in Saudi Riyals)

13. SEGMENT REPORTING (CONTINUED)

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

	31 May 2020	31 May 2019
Gross profit from sectors	**68,879,077**	63,768,672
Undistributed amount		
Marketing and advertising expenses	**(917,733)**	(669,014)
General and administrative expenses	**(23,961,302)**	(24,198,902)
Other income	**978,458**	4,121,362
Impairment of account receivables	**(3,243,481)**	(3,111,033)
Finance costs, net	**(2,341,400)**	(1,701,765)
Total unallocated amount	**(29,485,458)**	(25,559,352)
Profit before Zakat	**39,393,619**	38,209,320

14. FINANCE COSTS, NET

	31 May 2020	31 May 2019
Finance costs for Islamic Murabaha	**1,612,797**	2,112,915
Finance costs for government grants	**752,377**	957,916
Interest cost of end of service benefits	**1,056,000**	1,251,000
Interests on liabilities for right-of-use of assets	**986,362**	--
Short-term Islamic Murabaha returns	**(2,066,136)**	(2,620,066)
	2,341,400	1,701,765

15. 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 Company has no diluted instruments.

	31 May 2020	31 May 2019
Income for the period	**37,208,744**	37,098,490
Weighted average number of shares	**43,000,000**	39,285,714
	0.87	0.94

16. DIVIDENDS

The Ordinary General Assembly held on 25 December 2019 approved the distribution of dividends to shareholders amounting to SR 34.4 million at SR 0.80 per share (2018: SR 17.2 million at SR 0.40 per share).

17. SUBSEQUENT EVENTS

Due to the precautionary and preventive measures taken by the competent authorities in order to control and limit the spread of the Coronavirus (COVID 19) in the Kingdom of Saudi Arabia, that include suspending school attendance in all educational institutions, the operations in the Group continued where it has started activating the virtual school commencing on the day following the decision to suspend attending schools. The educational operations also have successfully continued as the e-learning platform serve all students and teachers with the latest technologies through providing interactive contents, virtual classes, discussion rooms, home works and short exams.

The future developments of the Novel Coronavirus (COVID-19) outbreak could affect the financial results and cash flows of the Group in the future.

18. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved for issuance on 18 Dhul Qi'dah 1441H (corresponding to 9 July 2020).