ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 July 2020
together with the
Independent Auditor's Report

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 July 2020

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Licence No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

To the Shareholders of Ataa Educational Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of **Ataa Educational Company and its subsidiaries ("the Group")**, which comprise the consolidated statement of financial position as at 31 July 2020, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 July 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Recognition of educational services revenue With reference to the accounting policy relating to the revenue recognition, as well as note (19) relating to revenue disclosures, the Group's revenues for the year ended 31 July 2020 amounted to SR 336 million. Revenue is a key indicator of performance measurement, resulting in inherent risks in the revenue recognition process through revenue overstatements. Revenue is recognized when educational services are provided to registered students. Due to the inherent risks in the revenue recognition process and the significance of revenue value of educational services, revenue recognition of educational services was considered as a key audit matter.	We have performed the following procedures among other things: • Assessing the appropriateness of the Group's revenue recognition policy under IFRS 15 "Revenue From Contracts with Customers". • Assessing the design and implementation and tested the operating effectiveness of controls relating to processes over revenue recognition. • Performing a test of a sample of recorded revenue transactions and compared them with supporting documents to verify the existence of recorded revenue. • Performing analytical reviews based on the number of students and approved fees for the educational process to evaluate the reasonableness of the amount of revenue per the financial statements. • Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. • Assessing the appropriateness of the disclosures made in the consolidated financial statements.

Key Audit Matter	How the matter was addressed in our audit
Goodwill impairment With reference to the accounting estimates and assumptions relating to impairment of goodwill as well as note (8) relating to goodwill disclosures. The financial statements included a capitalized goodwill of SR 376 million as at 31 July 2020, which represents the increase in the value of the acquired and merged companies to the net assets transferred to the Group. The Group tests the impairment on an annual basis as required by IAS 36 'Impairment of Assets'. The impairment for 2020 has been tested at the cash generating unit level for the Group. Determination of the recoverable amount of an asset or cash-generating unit requires the management to make significant assumptions. We considered impairment of goodwill to be a key audit matter due to the high level of estimates and assumptions used in determination of impairment of goodwill.	We have performed the following procedures among other things: • Obtained an understanding of the methodology adopted by the management in determining the cash generating unit and existence of impairment of goodwill and assessing whether this methodology is consistent with the requirements of IAS 36 and those used in this industry. • Assessed the design and implementation and tested the operating effectiveness of controls relating to processes over impairment of goodwill. • Assessed the key assumptions used by management related to revenue growth rate, gross profit margin, and long-term growth rate, taking into account current and future economic conditions of the cash-generating units. We also compared the key assumptions to the previous factual results. • Assessed the reliability of management's forecast through a review of actual performance against forecasts used by management; • Involved our specialists to check the key assumptions used by management in calculating the value in use. We also conducted the sensitivity analysis related to these key assumptions. • Assessed the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Ataa Educational Company (continued)

Key Audit Matter	How the matter was addressed in our audit
Change in accounting policies: With reference to Note (4), the Group has applied IFRS 16 'Leases' with effect from 1 August 2019, which replaces the provisions contained in IAS 17 'Leases'. As at 31 July 2020, right-of-use assets amounted to SR 259.03 million, and lease liabilities amounted to SR 293.65 million. The application of IFRS 16 and the related recognition of assets and liabilities and the assessment of whether a contract involves a lease were considered as a key audit matter, as assessment of contracts involves significant judgments and estimates that may have a material impact on the Group's consolidated financial statements.	We have performed the following procedures among other things: • Assessed the design and implementation and tested the operating effectiveness of the key controls relevant to management controls over the adoption of IFRS 16. • Obtained an understanding of the differences between requirements for adoption of IAS 17 and IFRS 16. • Inspected a sample of leases to determine whether they involve a lease at the date of initial adoption and compared them to supporting documents. • Assessed the management's estimates relating to impact of using judgments and assumptions on recognition of right-of-use assets and lease liabilities. • Tested the validity of adjustments resulting from the transition to adoption of IFRS 16. • Evaluate the appropriateness of disclosures made by the management in the consolidated financial statements.

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Independent Auditor's Report

To the Shareholders of Ataa Educational Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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Independent Auditor's Report

To the Shareholders of Ataa Educational Company (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Ataa Educational Company and its subsidiaries ("the Group")**.

We have also provided the Audit Committee with a statement that we have complied with the relevant ethical requirements of independence and have informed them of all relationships and other matters that we reasonably believe may effect our independence and, as appropriate, related prevention measures.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

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محاسبون ومراجعون قانونيون
C.R. 46
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س.ت.م رقم ٤٦
KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371

Date: 10 Rabi' I 1442H
Corresponding to: 27 October 2020

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 July 2020
(Expressed in Saudi Riyals unless otherwise stated)

	Note	31 July 2020	31 July 2019
ASSETS			
Non-current assets			
Property and equipment	6	**499,583,758**	502,327,385
Investment properties	7	**37,752,049**	38,084,376
Right-of-use assets	4	**259,028,942**	--
Intangible assets	8	**377,577,329**	376,399,169
Total non-current assets		**1,173,942,078**	916,810,930
Current assets			
Cash and cash equivalents	9	**2,394,383**	7,053,316
Inventories		**803,452**	790,665
Accounts receivable	10	**76,924,636**	55,670,914
Prepayments and other receivables	11	**14,526,429**	41,553,519
Total current assets		**94,648,900**	105,068,414
Total assets		**1,268,590,978**	1,021,879,344
EQUITY			
Share capital	17	**400,000,000**	400,000,000
Share premium	17.1	**209,594,000**	209,594,000
Statutory reserve	18	**31,142,800**	23,562,892
Retained earnings		**108,312,119**	113,389,382
Total equity		**749,048,919**	746,546,274
Non-current liabilities			
Lease liabilities on right-of-use assets	4	**257,890,737**	--
Loans	12	**41,426,855**	83,528,820
Deferred revenue of government grants	13	**1,899,881**	2,412,598
Employees' benefits	16	**33,363,510**	29,403,300
Total non-current liabilities		**334,580,983**	115,344,718
Current Liabilities			
Loans	12	**114,181,351**	97,240,577
Revenue received in advance		**5,448,384**	14,870,438
Accounts payable		**1,422,125**	3,018,740
Deferred revenue of government grants	13	**512,712**	566,215
Accruals and other payables	14	**25,628,133**	36,625,651
Provision for Zakat	15	**1,810,241**	1,673,699
Lease liabilities on right-of-use assets	4	**35,758,130**	--
Due to related parties	28	**200,000**	5,993,032
Total current liabilities		**184,961,076**	159,988,352
Total liabilities		**519,542,059**	275,333,070
Total equity and liabilities		**1,268,590,978**	1,021,879,344

Chairman	**Chief Executive Officer**	**Chief financial Officer**
Tariq Bin Othman Al Qasabi	Ibrahim Alturky	Adil Nader

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 July 2020
(Expressed in Saudi Riyals unless otherwise stated)

	Note	**31 July 2020**	31 July 2019
Revenue	*19*	**336,376,934**	320,584,994
Cost of revenue	*20*	**(220,121,705)**	(212,737,416)
Gross profit		**116,255,229**	107,847,578
General and administrative expenses	*21*	**(19,731,167)**	(20,589,696)
Impairment of accounts receivable	*10*	**(9,010,960)**	(1,839,998)
Other income	*22*	**13,748,941**	10,006,194
Operating profit		**101,262,043**	95,424,078
Finance costs	*23*	**(23,653,263)**	(11,005,795)
Net income for the year before Zakat		**77,608,780**	84,418,283
Zakat	15	**(1,809,700)**	(1,673,158)
Net income for the year		**75,799,080**	82,745,125
Earning per share:			
Basic and diluted earnings per share as per income for the year attributable to the shareholders of the Group	24	1.89	2.07

Chairman	**Chief Executive Officer**	**Chief financial Officer**
Tariq Bin Othman Al Qasabi	Ibrahim Alturky	Adil Nader

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 July 2020
(Expressed in Saudi Riyals unless otherwise stated)

		31 July 2020	31 July 2019
Net income for the year		**75,799,080**	82,745,125
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on re-measurement of employees' end of service benefits	16	**(6,195,445)**	(1,212,150)
Other comprehensive loss		**(6,195,445)**	(1,212,150)
Total comprehensive income for the year		**69,603,635**	81,532,975

Chairman	**Chief Executive Officer**	**Chief financial Officer**
Tariq Bin Othman Al Qasabi	Ibrahim Alturky	Adil Nader

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 July 2020
(Expressed in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 August 2018	400,000,000	209,594,000	15,288,380	100,130,919	725,013,299
Net income for the year	--	--	--	82,745,125	82,745,125
Other comprehensive loss	--	--	--	(1,212,150)	(1,212,150)
Total comprehensive income	--	--	--	81,532,975	81,532,975
Dividends (Note 31)	--	--	--	(60,000,000)	(60,000,000)
Transferred to statutory reserve	--	--	8,274,512	(8,274,512)	--
Balance at 31 July 2019	**400,000,000**	**209,594,000**	**23,562,892**	**113,389,382**	**746,546,274**
Balance at 1 August 2019	**400,000,000**	**209,594,000**	**23,562,892**	**113,389,382**	**746,546,274**
Effect of change in accounting policy (Note 4)	--	--	--	**(27,100,990)**	**(27,100,990)**
Restated balance as at 1 August 2019	**400,000,000**	**209,594,000**	**23,562,892**	**86,288,392**	**719,445,284**
Net income for the year	--	--	--	**75,799,080**	**75,799,080**
Other comprehensive loss	--	--	--	**(6,195,445)**	**(6,195,445)**
Total comprehensive income	--	--	--	**69,603,635**	**69,603,635**
Dividends (Note 31)	--	--	--	**(40,000,000)**	**(40,000,000)**
Transferred to statutory reserve	--	--	**7,579,908**	**(7,579,908)**	--
Balance at 31 July 2020	**400,000,000**	**209,594,000**	**31,142,800**	**108,312,119**	**749,048,919**

Chairman	**Chief Executive Officer**	**Chief financial Officer**
Tariq Bin Othman Al Qasabi	Ibrahim Alturky	Adil Nader

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 July 2020
(Expressed in Saudi Riyals unless otherwise stated)

	31 July 2020	31 July 2019
Cash flows from operating activities		
Net income for the year before Zakat	**77,608,780**	84,418,283
Adjustments for:		
Depreciation and amortization	**16,996,752**	15,895,893
Depreciation of right-of-use assets	**25,648,488**	--
Gain on sale of property, plant and equipment	**(106,694)**	--
Impairment of accounts receivable	**9,010,960**	1,839,998
Impairment of inventories	**198,940**	--
Finance costs	**23,653,263**	11,005,795
Provision for employees' benefits	**4,331,400**	4,922,000
	157,341,889	118,081,969
Changes in operating assets and liabilities		
Inventories	**(211,727)**	702,150
Accounts receivable	**(30,264,682)**	(2,589,964)
Prepayments and other receivables	**17,578,242**	(8,081,396)
Accounts payable	**(1,596,615)**	(579,431)
Revenue received in advance	**(9,422,054)**	1,963,134
Due to related parties	**(5,793,032)**	5,954,177
Accruals and other payables	**(10,475,593)**	(11,081,377)
Cash generated from operating activities	**117,156,428**	104,369,262
Employees' benefits paid	**(6,566,635)**	(8,781,950)
Finance costs paid	**(12,885,358)**	(16,269,721)
Zakat paid	**(1,673,158)**	(1,527,623)
Net cash generated from operating activities	**96,031,277**	77,789,968
Cash flows from investing activities		
Additions to property and equipment and projects in progress	**(15,175,264)**	(22,464,976)
Proceeds on sale of property and equipment	**183,000**	--
Net cash used in investing activities	**(14,992,264)**	(22,464,976)
Cash Flow from Financing Activities		
Proceeds from loans	**106,928,543**	86,015,525
Repayments of loans	**(132,655,954)**	(109,458,220)
Repayment of a finance lease	**(20,044,726)**	--
Dividends paid	**(39,925,809)**	(35,000,000)
Net cash used in financing activities	**(85,697,946)**	(58,442,695)
Net change in cash and cash equivalents	**(4,658,933)**	(3,117,703)
Cash and cash equivalents at beginning of the year	**7,053,316**	10,171,019
Cash and cash equivalents at the end of the year	**2,394,383**	7,053,316

Non-cash transactions (Note 30)

Chairman	**Chief Executive Officer**	**Chief financial Officer**
Tariq Bin Othman Al Qasabi	Ibrahim Alturky	Adil Nader

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

(Expressed in Saudi Riyals unless otherwise stated)

1. REPORTING ENTITY

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

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

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

The Company operates through its following branches:

Branch Name	**CR No.**
Al-Rowad Private Schools (Izdihar branch)	1010362199
Al-Rowad Private Schools (Al Rawabi branch)	1010275978
Al-Rowad Private Schools (Al Mansoura branch)	1010397500
Middle East International School	1010192541
New Middle East International School	1010250798
Modern Middle East International School	1010352008
Al Sulaymaniyah International Private School	1010196919
Al Fikr Private School	1010192540
Al-Rowad Private School (Al Rawda branch)	1010203258
Al-Rowad Private Schools (Ishbiliyah branch)	1010469726
Branch of Ataa Educational Company for Maintenance and Operation	1010452144
Rowad Eshbilia International School - Branch of Ataa Educational Company	1010450854

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

			Effective shareholding	
Subsidiary	**Country of Domicile**	**Legal form**	**As at 31 July 2020**	As at 31 July 2019
Al Nokhbah Educational Company	Kingdom of Saudi Arabia	LLC	**100%**	100%
Al Oruba International Company for Education Services	Kingdom of Saudi Arabia	LLC	**100%**	100%
Al-Rowad Company for Supporting Services	Kingdom of Saudi Arabia	LLC	**100%**	100%

The Company's head office is located in Riyadh city and its official address is as follows:

P.O. Box 87527, Riyadh 11652, Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA).

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

BASIS OF CONSOLIDATION:

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

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

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

- The contractual arrangement with the other voting holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

2. BASIS OF PREPARATION- (CONTINUED)

Basis of measurement

These consolidated financial statements have been prepared on historical cost basis except for employees' benefits obligations that are recognized at the present value of future obligations using the Projected Unit Credit Method, using the accrual basis of accounting and going concern.

As required by the Capital Market Authority ("CMA") through its circular dated 16th October 2016, the Group shall apply the cost model to measure the property and equipment, investment properties, and intangible assets upon adopting the IFRS for three years starting from the IFRS adoption date.

Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current liabilities.

Fair value measurement

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and Murabaha facilities with original maturities of less than three months from the date of acquisition.

Inventories

Inventories are composed of textbooks, stationery and school uniforms, and are recorded at the lower of cost and net realizable value. Net realizable value is the difference between estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the weighted average method.

The Group recognizes, where necessary, impairment of carrying value at the difference between carrying value and net realizable value for slow-moving and obsolete inventories under cost of revenue in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which are intended to compensate by the Group, are expensed.

Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded in aggregate at nominal value and transferred to the consolidated statement of profit or loss over the expected useful life of the asset, based on the consumption pattern of the benefits of the underlying asset at equal annual installments. When loans or similar subsidies are provided by governments or related institutions at an interest rate below the prevailing interest rate, the effect of this favorable interest is regarded as a government grant and recorded under non-current liabilities in the financial position as deferred government grant.

Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and any impairment. Cost comprises cost of equipment and materials including freight, insurance, expenditures from contractors for installment and construction works in addition to capitalized finance costs. When significant parts of a property and equipment item have different useful lives, they are accounted for as separate items of property and equipment.

Depreciation of property and equipment is charged to the consolidated statement of profit or loss using straight-line method over the estimated useful life of each in accordance with the following annual estimated lives:

Asset	Years
Buildings and constructions	50
Electrical tools & equipment	4- 6.66
Motor vehicles	10
Furniture & fixture	6.66

Depreciation methods, rates and residual values are reviewed annually and are adjusted if the current method and the estimated useful life or the residual value is different than the estimated in past. The effect of such changes is recognized in the consolidated statement of profit or loss prospectively.

Major renovations and improvements are capitalized if they increase the productivity or the operating useful life of the assets as well as direct labor and other direct costs. Minor repairs and improvements are charged as expenses when incurred. Gains or losses resulting from disposal of assets (represent the difference between sale proceeds and the carrying amount of assets) are recognized in the consolidated statement of profit or loss.

Capital work in progress is stated at cost until the completion of construction or installation, thereupon the cost of these assets and the costs directly attributable to construction or installation, including capitalized borrowing cost, are transferred to the respective class of assets. Capital work in progress is not depreciated.

Investment properties

Investment properties are properties held to earn rentals or for capital appreciation (including property under construction). Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. The cost less estimated residual value, if any is depreciated using straight-line basis over the useful lives of the property. The cost includes the cost of replacing major parts and borrowing costs for long-term construction projects if the recognition criteria are met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

Although the Group measures investment properties using the cost model, the fair value of investment properties is disclosed in the notes to the financial statements. Fair value is determined based on an annual evaluation performed by an independent valuer who holds recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use or when no future economic benefit is expected from their disposal. Gains or losses resulting from disposal of investment properties are recognized in the statement of profit or loss.

Properties are depreciated using the strait-line basis over their estimated useful life of 50 years and depreciation is charged to statement of profit or loss.

Rental income of these investment properties and their related depreciation are included in statement of profit or loss.

The carrying amount of the investment property is derecognized on its disposal (either through sale or a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between (a) net proceeds from disposal of investment property and (b) its carrying amount, is recognized in the profit or loss in the period of disposal or write-off.

If the use of investment property changed to a property occupied by the Group, it will be reclassified to property and equipment item at the same carrying value at the date of reclassification. If the use of a property occupied by the Group that was classified under property and equipment, it will be reclassified to investment properties item at the same carrying value at the date of reclassification. The residual value of the investment property and its useful life are reviewed at the end of each financial year and the necessary adjustments are made as a result of a change in an accounting estimate.

Intangible assets
Acquired assets are measured individually at cost on initial recognition. Subsequent to initial recognition, intangible assets are recorded at cost less accumulated amortization and any impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and are recognized in the consolidated statement of profit or loss in the period in which the expensed are incurred.

Computer software
Software licenses purchased from other parties are initially recorded at cost. These are depreciated using the straight-line method over its estimated useful life of four years.

Goodwill
Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Group enters into a business combination, the acquisition method of accounting is used. Goodwill is allocated, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination. Each cash generating unit represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

Impairment testing on goodwill
The Group's management performs annual impairment test of goodwill for the purpose of impairment testing and to identify whether the carrying value of goodwill is less than its recoverable value. The recoverable value is determined based on information used in the expected work plans for the five years following the financial statements and their related cash flows. Impairment testing is performed based on the measurement of current value of the future cash flows for five years in accordance with reasonable and objective assumptions to estimate cash flow depending on recent variable budgets approved by the management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets are capitalized for assuming borrowing cost that necessarily takes a substantial period of time to get ready for its intended use or to be sold as part of the underlying asset cost. Where borrowings are obtained specifically to finance a project, the amount capitalized represents direct or indirect incurred borrowing costs. Where surplus funds are available for a short term from money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is deducted from the total capitalized borrowing cost. Where borrowings used to finance a project form part of public borrowings, the amount capitalized is calculated using the Group's finance rate.

All other borrowing costs are expensed in the period in which they incurred in the statement of profit or loss. Borrowing costs consist of interest and other costs that the Group incurs in respect of the borrowings.

Impairment of financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Goodwill is tested annually for impairment and any impairment loss in respect of goodwill is not reversed.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Zakat

Provision for Zakat is calculated at the date of the consolidated statement of financial position in accordance with regulations of the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. The resulting provision is recorded within the consolidated statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are recognized in the period in which the final assessments are finalized.

Employees' benefits

The Group operates a defined benefit plan for its employees in accordance with Saudi Labor and Workman Law as defined by the conditions set out in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Re-measurements for actuarial gains or losses are recognized in the consolidated statement of financial position with a corresponding balance credited to retained earnings through consolidated statement of comprehensive income in the period in which they occur.

Re-measurements are not reclassified to the consolidated statement of profit or loss in subsequent periods. Costs and expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from providing services in the ordinary course of the Group's business taking into consideration contractually determined payment terms. Revenue is stated net of trade discounts, incentives and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

The 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: Revenue recognition	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 students registered with schools are performed for each school year and is stated at net less discounts and exemptions.

Other income is realized when the related service is provided.

Dividends
Dividends are recorded in the consolidated financial statements in the period in which they are approved by the shareholders of the Group.

Earnings per share
The Group presents information on basic and diluted earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of the ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions
Transactions denominated in foreign currencies are translated to Saudi Riyals at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities with cash nature denominated in foreign currencies at the consolidated statement of financial position date are translated to Saudi Riyals at the exchange rates ruling at that date. Gains or losses from exchange rate differences are included in the consolidated statement of profit or loss currently.

Provisions
A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount thereof can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Unwind of discount is recognized as finance cost in the consolidated statement of profit or loss.

Contingent Liabilities
They are obligations that may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or present obligation not recorded because it is not probable that an outflow of resources will be required to settle the obligation. If the amount of the obligation cannot be measured with sufficient reliability, then it is not included in the contingent liabilities but is disclosed in the consolidated financial statements.

Segment reporting
An operating segment is a part of the Group business activities from which revenue can be recognized and expenses are incurred and includes income and expenses relating to transactions with any of the other components of the Group. All operational results of the operating segments are reviewed by the Group's operating decision makers to make decisions about the resources to be allocated to the segment and to assess its performance, which have separate financial information.

Financial instruments

1) **Classification and measurement of financial assets and financial liabilities**

On initial recognition, a financial asset is classified as measured at: amortized cost, or at fair value through comprehensive income – debt investment, or at fair value through other comprehensive income – equity investment, or at fair value through profit or loss.

A financial asset is measured at amortized cost 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 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 fair value through other comprehensive income 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not designated as measured at amortized cost or at fair value through comprehensive income 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 fair value through comprehensive income or as assets at FVTPL, if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade 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 comprehensive income. On derecognition, gains and losses accumulated in comprehensive income are reclassified to profit or loss.
Equity investments at FVTCI	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 gains and losses are recognized in the comprehensive income and are never reclassified to profit or loss.

Disposal

Financial assets

A financial asset (or part of a group of similar financial assets) is mainly derecognized (i.e. excluded from the Group's statement of financial position) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Financial liabilities

The Group derecognize a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognize 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 carrying amount extinguished and the amortized and the amount paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of profit or loss.

2) **Impairment of financial asset**

The financial assets recognized at amortized cost consist of trade receivables, cash and cash equivalents.

Loss provisions are measured on the bases of 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 cash 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.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-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 allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Offsetting of financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Group is committed to forming a statutory reserve by transferring 10% of the annual net profit and the Group will cease such deduction when this reserve reaches 30% of the share capital. This statutory reserve is not available for distribution to the shareholders.

4. CHANGES IN ACCOUNTING POLICIES

4-1 IFRS 16 'Leases'

IFRS 16 'Leases' replaces the following standard and interpretations:
- IAS 17 'Leases'.
- IFRIC 4 'Determining whether an Arrangement contains a lease'.
- 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 consolidated statement of financial position.

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

As a lessee
At the commencement date, the Group shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:
(a) The right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) The right to direct the use of the identified asset.

The Group shall recognize a right-of-use asset at the commencement date (i.e. the date on which the underling 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.

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

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

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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 an significant event or major change in the circumstances that fall under its control.

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

To classify each lease, the Group perform overall assessment whether lease transfers all substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers specific indicators such as whether the lease term is for the major part of the economic life of the underlying asset. The initial measurement in case of finance leases: the lessor shall use the interest rate implicit in the lease to measure the net investment in the lease.

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

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

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 lease is impaired and to account for any impairment loss identified.

When the Group is an intermediate lessor, it calculates its interest in the head lease and sublease separately. Classification of the sublease is assessed by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.
If the head lease is a short-term lease, the Group applies exemption, the sublease shall be classified as an operating lease.

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

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

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

(Expressed in Saudi Riyals unless otherwise stated)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

Right-of-use assets presented in the financial statements	226,866,784
Lease liability on right-of-use assets	(244,518,926)
Prepaid rent	(9,448,848)
Impact on retained earnings	**(27,100,990)**

Right-of-use-assets at beginning of the year	226,866,784
Assets recognized during the year	57,810,646
Depreciation charge during the year	**(25,648,488)**
Balance at the end of the year	**259,028,942**
Lease liabilities recognized in the statement of financial position as at 31 July 2020	
Current	**35,758,130**
Non-current	**257,890,737**
Lease liabilities on right-of-use assets	**293,648,867**

Amounts recognized in the statement of profit or loss for the year ended 31 July 2020	
Depreciation on right-of-use assets	**(25,648,488)**
Interest expense on lease liabilities	**(11,364,021)**

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

Minimum lease payments as at 1 August 2019	244,518,926
Additions during the year	57,810,646
Interest charged during the year	11,364,021
Paid during the year	(20,044,726)
Total lease liabilities as at 31 July 2020	**293,648,867**

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements of the Group in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization of Certified Public Accountants require management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the year in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

5.1 Use of estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates are rarely equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

Employees' benefits obligations

Post-employment benefits represent liabilities that will be settled in the future and require using of assumptions for expected liabilities. IAS 19 requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, return on asset, mortality rates, employment turnover rate and future healthcare costs. The Group's management uses an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred.

Impairment of goodwill

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and/or value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

Fair value estimation of financial instruments

The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are shown as follows:

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (such as prices) or indirectly (such as derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Expressed in Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT

	Lands	Buildings and constructions	Electrical tools & equipment	Motor vehicles	Furniture & fixture	Projects in progress	Total
Cost							
As at 1 August 2018	**177,190,872**	**248,487,275**	**31,518,313**	**29,546,616**	**41,361,995**	**115,338,652**	**643,443,723**
Additions during the year	--	1,421,597	1,786,696	--	2,720,181	16,536,502	22,464,976
Transferred from projects in progress	--	48,612,669	536,533	--	--	(49,149,202)	--
Transferred to investment properties	(22,380,500)	(16,616,375)	--	--	--	--	(38,996,875)
Disposals during the year	--	--	(50,159)	--	(10,777)	--	(60,936)
As at 31 July 2019	**154,810,372**	**281,905,166**	**33,791,383**	**29,546,616**	**44,071,399**	**82,725,952**	**626,850,888**
Additions during the year	--	1,295,409	3,427,601	--	2,784,710	7,667,544	15,175,264
Transferred from projects in progress	--	83,714,534	--	--	--	(83,714,534)	--
Transferred to intangible assets	--	--	--	--	--	(1,570,880)	(1,570,880)
Disposals as a result of scrapping during the year	--	--	(4,015,563)	(603,784)	(11,089,945)	--	(15,709,292)
As at 31 July 2020	**154,810,372**	**366,915,109**	**33,203,421**	**28,942,832**	**35,766,164**	**5,108,082**	**624,745,980**
Accumulated depreciation							
As at 1 August 2018	--	**30,952,281**	**22,715,930**	**26,551,213**	**29,381,621**	--	**109,601,045**
Charge for the year	--	6,886,191	3,857,341	670,238	4,482,123	--	15,895,893
Accumulated depreciation transferred to investment properties	--	(912,499)	--	--	--	--	(912,499)
Accumulated depreciation of disposals	--	--	(50,159)	--	(10,777)	--	(60,936)
As at 31 July 2019	--	**36,925,973**	**26,523,112**	**27,221,451**	**33,852,967**	--	**124,523,503**
Charge for the year	--	8,546,764	3,300,253	782,127	3,642,561	--	16,271,705
Accumulated depreciation of disposals	--	--	(4,015,563)	(603,764)	(11,013,659)	--	(15,632,986)
As at 31 July 2020	--	**45,472,737**	**25,807,802**	**27,399,814**	**26,481,869**	--	**125,162,222**
Net carrying amount							
As at 31 July 2020	**154,810,372**	**321,442,372**	**7,395,619**	**1,543,018**	**9,284,295**	**5,108,082**	**499,583,758**
As at 31 July 2019	**154,810,372**	**244,979,193**	**7,268,271**	**2,325,165**	**10,218,432**	**82,725,952**	**502,327,385**

(Expressed in Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT (CONTINUED)

- As at 31 July 2020, certain lands and buildings of SR 132.2 million (2019: SR 142.1 million) are secured against certain credit facilities as indicated in Note (12).
- Property and equipment include buildings and constructions built on land leased from both Albir Society in Riyadh and the Charity Center for Teaching Quran and its Sciences. These land represents 60% of the land of Al-Rowad Schools in Izdihar complex. The net book value of these buildings amounted to SR 35.8 million. The lease agreement with Albir Society stipulates that the Society is entitled to 30% of any buildings or expansions that the Group makes on the leased land. Accordingly, the total value of the additions and improvements made to the buildings at a total cost of SR 48.3 million, including the share of Albir Society in Riyadh of SR 14 million, has been included as the Group has incurred these costs and it has the right to use them under the contract.
- The rental values payable to Albir Society is SR 2.5 million and the Charity Center for Teaching Quran and its Sciences is SR 3.8 million.
- The leases with the Charity Center for Teaching Quran and its Sciences ends on 30/12/1451H. These buildings are depreciated over their expected useful lives of 50 years, which exceeds the term of the leases. In view of the information and other data available to it, management believes that it is able to renew the leases in accordance with the conditions and requirements of activity.
- As at 31 July 2020, projects in progress of SR 5.1 million (2019: SR 82.7 million) represent a construction project attached to the educational complex located in the Al-Izdihar district as well as building development work.
- During the financial year ended 31 July 2020, the Group has capitalized borrowing cost amounted to Nil (during the year ended 31 July 2019: SR 3.7 million) at an average capitalization rate of 5.74% annually.

7. INVESTMENT PROPERTIES, NET

Cost	Lands	Building	Total
As at 31 July 2019	**22,380,500**	**16,616,375**	**38,996,875**
Additions during the year	--	--	--
As at 31 July 2020	**22,380,500**	**16,616,375**	**38,996,875**
Accumulated depreciation			
As at 31 July 2019	--	**912,499**	**912,499**
Charged during the year	--	**332,327**	**332,327**
As at 31 July 2020	**--**	**1,244,826**	**1,244,826**
Net book value:			
As at 31 July 2020	**22,380,500**	**15,371,549**	**37,752,049**
As at 31 July 2019	**22,380,500**	**15,703,876**	**38,084,376**

Estimated useful life of the investment property is as follows:

	Years
Building	50

(7.1) These lands and buildings are secured against obtaining certain credit facilities as described in Note (12).

Measurement data of fair value according to IFRS 13 as at 31 July 2020 is as follows:

Properties	Valuation methodology	Purpose	Key input and evaluation assumptions	Fair value as at 31 July 2020
Administrative building on Uthman bin Affan Road	income approach	Rental revenues and capital value growth	Recent transactions	**38,415,000**

Valuation techniques used are categorized as level 3 of fair value hierarchy.

The valuation mechanism of properties adopted in valuation of investment properties are consistent with the international board for valuation standards as well as guidance of the Saudi Authority for Accredited Valuers (TAQEEM).

The name and qualifications of the valuer who conducted the evaluation of the investment properties are as follows:

Name of valuer	RE/MAX First Valuer Company
Valuer's qualifications	Licensed by Saudi Authority for Accredited Valuers (TAQEEM).

(Expressed in Saudi Riyals unless otherwise stated)

8. INTANGIBLE ASSETS

	Goodwill	**Computer software**	**Total**
At 31 July 2019	376,399,169	--	376,399,169
Transfer from property and equipment	--	1,570,880	1,570,880
At 31 July 2020	376,399,169	1,570,880	377,970,049
Amortization:			
At 31 July 2019	--	--	--
Charged during the year	--	392,720	392,720
At 31 July 2020	--	392,720	392,720
Net book value:			
At 31 July 2020	**376,399,169**	**1,178,160**	**377,577,329**
At 31 July 2019	376,399,169	--	376,399,169

Goodwill represents the amount of excess of the merged and acquired companies over the net assets transferred to the Group.

Goodwill has been allocated to cash-generating units of the Group as follows:

	31 July 2020	31 July 2019
Al-Rowad Schools, Al-Rawabi branch	**28,413,273**	28,413,273
Al-Rowad Schools, Al Mansoura branch	**2,519,151**	2,519,151
Al-Rowad Schools, Ishbilia branch	**7,479,000**	7,479,000
Nokhbah Schools, Al Kharj branch	**8,846,495**	8,846,495
Al-Rowad Schools, Al Rawda branch	**33,091,250**	33,091,250
Al Fikr Private School	**14,100,000**	14,100,000
Middle East International School	**66,600,000**	66,600,000
Al Sulaymaniyah International Private School	**14,000,000**	14,000,000
New Middle East International School	**53,375,000**	53,375,000
Modern Middle East International School	**60,575,000**	60,575,000
Al Oruba International Company for Education Services	**87,400,000**	87,400,000
	376,399,169	376,399,169

Impairment testing on goodwill:

The Group's management performs annual impairment test of goodwill for the purpose of impairment testing and to identify whether the carrying value of goodwill is less than its recoverable value. The recoverable value is determined based on information used in the expected work plans for the five years following the financial statements and their related cash flows. Impairment testing is performed based on the measurement of current value of the future cash flows for five years in accordance with reasonable and objective assumptions to estimate cash flow depending on recent variable budgets approved by the management.

(Expressed in Saudi Riyals unless otherwise stated)

8. INTANGIBLE ASSETS (CONTINUED)

The key assumptions used in the estimation of the recoverable amount are set out below:

The values assigned to key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	31 July 2020		31 July 2019	
	period from	**year but not**	period from	year but not
Discount rate	12.7%	15.4%	12.5%	15.5%

	31 July 2020	31 July 2019
Growth rate	**2%**	**2%**

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. Terminal growth rate has been determined based on the management's estimate of the long-term compounded annual growth rate for profit before interest and depreciation, consistent with the assumptions that the market participant may make.

Sensitivity to changes in assumptions

Management believes that there is no reasonable probable change in any key assumptions that may lead to a significant change in goodwill over its recoverable value.

9. CASH AND CASH EQUIVALENTS

	31 July 2020	31 July 2019
Cash at bank	**2,321,260**	6,842,392
Cash on hand	**73,123**	210,924
	2,394,383	7,053,316

10. ACCOUNTS RECEIVABLE

	31 July 2020	31 July 2019
Parents' receivables	**81,281,451**	57,630,222
Impairment of accounts receivable balances	**(4,356,815)**	(1,959,308)
	76,924,636	55,670,914

Movement in impairment of accounts receivable during the year is as follows:

	31 July 2020	31 July 2019
Balance at beginning of the year	**1,959,308**	3,991,488
Provided during the year	**9,010,960**	1,839,998
Utilized during the year	**(6,613,453)**	(3,872,178)
	4,356,815	1,959,308

(Expressed in Saudi Riyals unless otherwise stated)

11. PREPAYMENTS AND OTHER RECEIVABLES

	31 July 2020	31 July 2019
Prepaid expenses	**7,684,581**	24,370,182
Advances to suppliers and contractors	**1,256,529**	1,645,173
Employees' advances and custodies	**1,800,165**	1,758,046
Accrued government grants	**1,001,299**	1,165,046
Letters of guarantee	**200,000**	243,750
Other accounts receivable	**2,583,855**	12,371,322
	14,526,429	41,553,519

12- LOANS

Loans represent the following:

A loan from Ministry of Finance

12-1 On 5 Muharram 1436H (corresponding to 29 October 2014), the Group obtained a long-term loan from the Ministry of Finance with a total amount of SR 19.03 million to finance contracting and construction works necessary to build an educational complex in Al-Mansoura District. This facility is repaid in ten annual installments after the grace period which is estimated as four years from the signing date of the agreement. The last installment of the loan is payable on 10 June 2027. This loan does not bear any financing interest.

Collaterals

These facilities are secured by mortgage of the land of staff accommodation villa located in Al Rawabi District of SR 1.31 million and the land located in Al Salam District of SR 20.1 million.

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

	31 July 2020	31 July 2019
Balance at the beginning of the year	**17,134,200**	19,038,000
Proceeds during the year	--	--
Paid during the year	**(1,903,800)**	(1,903,800)
Balance at the end of the year	**15,230,400**	17,134,200

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

Total loans at end of the year	**15,230,400**	17,134,200
Less: deferred finance charges		
Balance at the beginning of the year	**(2,978,813)**	(3,596,477)
Finance charges for the year	**566,220**	617,664
Balance at the end of the year	**(2,412,593)**	(2,978,813)
Current value of loans at end of the year	**12,817,807**	14,155,387

(Expressed in Saudi Riyals unless otherwise stated)

12- LOANS (CONTINUED)

Summary of terms and conditions for loans granted by local banks during the year is as follows:

	Proposed of the loan	Currency of the loan	Maturity date	Principal value	31 July 2020	31 July 2019
Local Bank 1	Purchase of the office building	SR	September 2020	29,600,000	6,577,778	9,866,666
Local Bank 2	Working capital support	SR	September 2019	15,000,000	--	15,000,000
Local Bank 3	Working capital support	SR	January 2021	30,000,000	30,000,000	20,000,000
Local Bank 4	Working capital support	SR	January 2021	50,000,000	15,000,000	--
Local Bank 5	Working capital support	SR	September 2020	30,000,000	10,000,000	15,000,000
Local Bank 6	Construction of the Ishbilyah Complex	SR	July 2023	140,000,000	81,212,621	106,747,344
					142,790,399	166,614,010

- These facilities has been granted at a margin and commission specified at the revenue rate at SIBOR plus an agreed percentage.
- These facilities are secured by lands and properties of SR 132.2 million (Note 6) and promissory note of SR 544.9 million.

(Expressed in Saudi Riyals unless otherwise stated)

12- LOANS (CONTINUED)

Movement in loans from local banks is as follows:

	31 July 2020	31 July 2019
Balance at the beginning of the year	**166,614,010**	188,152,905
Finance obtained during the year	**106,928,543**	86,015,525
Paid during the year	**(130,752,154)**	(107,554,420)
Total loans from local banks	**142,790,399**	166,614,010

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

	31 July 2020	31 July 2019
Current portion of loans *	**114,181,351**	97,240,577
Non-current portion of loans *	**41,426,855**	83,528,820
	155,608,206	180,769,397

* Includes a loan from Ministry of Finance (Note 12-1)

13. DEFERRED REVENUE OF GOVERNMENT GRANTS

	31 July 2020	31 July 2019
Balance at the beginning of the year	**2,978,813**	3,596,477
Additions during the year (Note 22)	**(566,220)**	(617,664)
	2,412,593	2,978,813
Current portion of deferred revenue of government grants	**512,712**	566,215
Non-current portion of deferred revenue of government grants	**1,899,881**	2,412,598

14. ACCRUED EXPENSES AND OTHER PAYABLES

	31 July 2020	31 July 2019
Dividends receivable	**15,037,858**	25,000,000
Accrued finance expenses	**1,721,948**	2,318,064
Retained deposits on works*	**--**	3,905,485
Staff accruals	**3,232,804**	1,215,793
Expenses accruals	**890,798**	838,224
Others	**4,744,725**	3,348,085
	25,628,133	36,625,651

* The balance of the retained business deposits represents performance bond of contracting works due to Al Qasabi Contracting Company Limited (a related party) against the execution of the Ishbiliyah Complex of Nil (31 July 2019: SR 3,905,485).

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15. PROVISION FOR ZAKAT

a) The Group filed its Zakat returns for the year ended 31 July 2019 with the General Authority of Zakat and Tax ("GAZT") and settled Zakat payable accordingly. The Group has obtained the electronic assessment until 31 July 2019 and it is still waiting for the final assessment.

		31 July 2020	31 July 2019
Adjusted net income for the year	(a)	**72,388,012**	66,926,327
Shareholders' equity		**665,669,931**	655,526,637
Provisions		**18,183,061**	23,388,994
Liabilities and equivalents		**414,851,596**	223,983,437
Property and equipment and intangible assets		**(1,173,942,078)**	(916,810,930)
Total	(b)	**(2,849,478)**	53,014,465
Zakat base (a) or (b) whichever is higher		**72,388,012**	66,926,327
Zakat payable @ 2.5%		**1,809,700**	1,673,158

(b) Movement in the provision for zakat during the year is as follows:

	31 July 2020	31 July 2019
Balance at beginning of the year	**1,673,699**	1,528,164
Provided during the year	**1,809,700**	1,673,158
Paid during the year	**(1,673,158)**	(1,527,623)
	1,810,241	1,673,699

16. EMPLOYEES' BENEFITS

The Group has a post-employment defined benefit plan as per Saudi Labor Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income and amounts recognized in the consolidated statement of financial position.

Movement of provision for employees' benefits recognized in the consolidated statement of financial position is as follows:

	31 July 2020	31 July 2019
Balance at beginning of the year	**29,403,300**	32,051,100
Current service cost	**3,482,500**	3,775,600
Interest cost	**848,900**	1,146,400
Paid during the year	**(6,566,635)**	(8,781,950)
Losses from actuarial valuation included in the consolidated statement of comprehensive income	**6,195,445**	1,212,150
	33,363,510	29,403,300

(Expressed in Saudi Riyals unless otherwise stated)

16. EMPLOYEES' BENEFITS (CONTINUED)

Key assumptions used to determine provision for employees' end of service benefits are as follows:

	31 July 2020	31 July 2019
Discount rate	2,80%	3,25%
Future salary increase rate	0,30%	0,30%

Reasonably possible change to one of the relevant actuarial assumptions holding other assumptions constant would have affected the provision for employees' end of service benefits by the following amounts:

	31 July 2020		31 July 2019	
	0.5% Increase	**0.5% Decrease**	0.5% Increase	0.5% Decrease
Discount rate	**32,114,398**	**34,719,274**	28,284,600	30,622,400
Future salary increase rate	**34,747,333**	**32,078,385**	30,644,200	28,256,600

The sensitivity analysis above may not be representative of an actual change in provision for employees' end-of-service benefits as it is unlikely that changes in assumptions would occur in isolation of one another.

17. SHARE CAPITAL

As at 31 July 2020, the Group's authorized and paid-up capital of SR 400 million (31 July 2019: SR 400 million) is divided into 40 million shares (31 July 2019: 40 million shares) of SR 10 each.

17.1 Share premium:

Pursuant to the extraordinary general assembly resolution held on 2 Dhul-Hijjah 1436H (corresponding to 15 September 2015), it has been agreed to increase capital of the Company by an amount of SR 74.4 million through issuing new shares of 7.4 million shares at a nominal value of SR 10 each and premium shares of SR 28.17 each, provided that such increase shall be in favor of the shareholders of Jarir Private School for boys and girls.

18. STATUTORY RESERVE

In accordance with the Group's By-laws and Saudi Arabian Regulations for Companies, 10% of the annual net income is transferred to the statutory reserve until such reserve equals 30% of share capital. The statutory reserve is not available for distribution.

19. REVENUE

	31 July 2020	31 July 2019
Operation revenue	**325,841,098**	310,171,658
Bus subscription income	**10,535,836**	10,413,336
	336,376,934	320,584,994

20. COST OF REVENUE

	31 July 2020	31 July 2019
Salaries, wages and employee benefits	**149,765,726**	145,039,910
Rentals	**1,226,758**	27,315,413
Depreciation	**16,271,705**	15,563,569
Depreciation on right-of-use assets	**25,648,488**	--
Recruitment fees	**12,712,205**	7,566,059
Utilities	**5,224,557**	5,564,594
Publication and stationery	**2,481,203**	3,191,273
Vehicle expenses	**1,303,642**	2,548,235
Repair & Maintenance	**2,506,698**	2,328,401
Student activities' fees	**1,301,230**	2,158,213
Others	**1,679,493**	1,461,749
	220,121,705	212,737,416

(Expressed in Saudi Riyals unless otherwise stated)

21. GENERAL AND ADMINISTRATIVE EXPENSES

	31 July 2020	31 July 2019
Employees' salaries and other benefits	**14,116,548**	16,699,898
Consulting fees	**1,779,971**	1,170,825
Depreciation and amortization	**725,047**	332,324
Internet and telecommunication expenses	**961,704**	499,311
Recruitment fees	**618,298**	520,549
Utilities	**230,915**	179,634
Travel and transportation	**13,983**	59,498
Others	**1,284,701**	1,127,657
	19,731,167	20,589,696

22. OTHER INCOME

	31 July 2020	31 July 2019
Cafeteria rent	**1,922,678**	2,653,129
Rental of the administrative building and halls	**3,404,698**	2,947,716
Additional evening classes	**971,351**	1,420,253
Government grants*	**1,513,875**	1,900,066
Events and other returns	**703,358**	394,060
Others	**5,232,981**	690,970
	13,748,941	10,006,194

(*) Government grants are represented as follows:

	31 July 2020	31 July 2019
Ministry of Education subsidies	**928,255**	1,260,602
Revenue from government grants	**566,220**	617,664
Subsidies of Human Resources Development Fund grants	**19,400**	21,800
	1,513,875	1,900,066

- The Ministry of Education subsidy is granted to the Group annually in accordance with the specific regulations of the ministry, which is mainly related to the budget allocated by the Ministry and the number of students enrolled in each school.
- The Human Resources Development Fund (the "Fund") subsidy is granted in accordance with the agreement between the Group and the Fund on the basis of a lump sum of the monthly salary for a certain period for Saudi employees covered by the agreement.

23. FINANCE COSTS

	31 July 2020	31 July 2019
Finance costs - loans	**12,289,242**	11,005,795
Interest on lease liabilities	**11,364,021**	--
	23,653,263	11,005,795

(Expressed in Saudi Riyals unless otherwise stated)

24. BASIC AND DILUTED EARNINGS PER SHARE

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

	31 July 2020	31 July 2019
Income for the year	**75,799,080**	82,745,125
Weighted average number of shares	**40,000,000**	40,000,000
	1.89	2.07

25. FINANCIAL INSTRUMENTS

25-1 Financial assets

	31 July 2020	31 July 2019
Financial assets at amortized cost:		
Accounts receivable	**76,924,636**	55,670,914
Cash and cash equivalents	**2,394,383**	7,053,316
Total financial assets at amortized cost	**79,319,019**	62,724,230

25-2 financial liabilities

	31 July 2020	31 July 2019
Financial liabilities at amortized cost:		
Loans	**155,608,206**	180,769,397
Accounts payable	**1,422,125**	3,018,740
Total financial liabilities at amortized cost	**157,030,331**	183,788,137
Current portion of financial liabilities	**115,603,476**	100,259,317
Non-current portion of financial liabilities	**41,426,855**	83,528,820
Total financial liabilities	**157,030,331**	183,788,137

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

26. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	31 July 2020	31 July 2019
Uncovered letter of guarantee	**2,055,600**	760,000
Capital commitments - projects in progress	--	1,600,000
Suppliers	**3,668,811**	--
	5,724,411	2,360,000

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group is exposed to the following risks by using the financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Risk management is carried out by the senior management under policies approved by the Board of Directors. Senior management identifies and evaluates, when appropriate, financial risks in close co-operation with the Group's operating units.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the value of financial instruments will change due to changes in foreign exchange rates. All of the Group's transactions are in Saudi Riyals.
The management closely and continuously monitors the exchange rate fluctuations. Based on its experience and market feedback, the management does not believe it is necessary to hedge the effect of foreign exchange risks as most of the transactions of foreign currency risk is relatively limited in the medium term.

Commission (interest) rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the interest rate market.
The Group is exposed to the risk of changes in the interest rate market mainly due to loans. Loans at variable rates expose the Group to a change in cash flows as a result of changes in interest rates.

The Group's exposure to risk of changes in interest rates are as follows:

	31 July 2020	31 July 2019
Variable interest rate loans	**142,790,399**	166,614,010
Fixed interest rate loans	**12,817,807**	14,155,387

(Expressed in Saudi Riyals unless otherwise stated)

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT - (CONTINUED)

Interest rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) gains or losses by the amounts shown below. The analysis assumes that all other variables especially foreign exchange rates remain constant.

	Statement of profit or loss	
	Increase 100 Points	Decrease 100 Points
31 July 2020		
Variable interest rate loans	1,427,903	(1,427,903)
Changes in cash flows	1,427,903	(1,427,903)

	Statement of profit or loss	
	Increase 100 Points	Decrease 100 Points
31 July 2019		
Variable interest rate loans	1,666,140	(1,666,140)
Changes in cash flows	1,666,140	(1,666,140)

- There is no impact on equity.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is principally exposed to credit risk from cash and cash equivalents and accounts receivable.
The carrying amount of financial assets represents the maximum credit risk.

The Group applies the simplified approach to estimate ECL's and did not result in material difference.

Details of accounts receivable balances based on their date of maturity as follow:

Particulars	**31 July 2020**	31 July 2019
Less than one year	**67,247,221**	42,607,357
More than one year and less than two years	**8,760,525**	13,226,994
More than two years	**5,273,705**	1,795,871
	81,281,451	57,630,222

The Group has not provided for certain past due receivables as it holds collaterals to collect these receivables. Also, the Group believes that it is able to collect receivables that exceeded one year because it holds students' files and the students are unable to move to another school or leave school without recourse to the Group and pay all the accruals to be able to obtain their education file and obtain a clearance from the school.

(Expressed in Saudi Riyals unless otherwise stated)

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents are placed with banks with high credit ratings. The Group regularly updates its cash flows.

Accounts receivable

The credit quality of financial assets that are neither past due nor impaired are being assessed by reference to customers with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past. The Group recognizes provisions by measuring the probability of collection of amounts from customers if the probability of collection is low and takes into account write-off of due debts. Credit and Collection Operations provide inputs on the aging of financial assets on a periodic basis.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due without incurring unacceptable losses or risking damage to the Group's reputation.

The management closely and continuously monitors the liquidity risk by performing regular review of available funds, present and future commitments, operating and capital expenditure. Moreover, the Group monitors the actual cash flows and seeks to match the maturity dates with its financial assets and liabilities.

The Group seeks continuously to comply with its legal obligations, including any obligations relating to financing agreements.

As at 31 July 2020, the Group has a working capital deficit of SR 85 million (2019: SR 40 million) after taking into consideration the revenues collected in advance. The Group has unutilized credit facilities in the event of any urgent liquidity requirements. In addition, the Group has sufficient proceeds to cover all current liabilities. Subsequently, the Group pays the due current liabilities through using its bank facilities cash generating cash from operations.

The following represents the maturities of financial liabilities at the reporting date based on undiscounted contractual cash flows:

	Less than 1 year	1 to 5 years	More than 5 years	Carrying Value
As at 31 July 2020				
Loans	**114,181,351**	**39,596,278**	**1,830,577**	**155,608,206**
Accounts payable	**1,422,125**	--	--	**1,422,125**
Accrued expenses and other payables	**25,628,133**	--	--	**25,628,133**
	141,231,609	**39,596,278**	**1,830,577**	**182,658,464**
As at 31 July 2019				
Loans	97,240,577	82,700,023	828,797	180,769,397
Accounts payable	3,018,740	--	--	3,018,740
Accrued expenses and other payables	36,625,651	--	--	36,625,651
	136,884,968	82,700,023	828,797	220,413,788

(Expressed in Saudi Riyals unless otherwise stated)

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

- The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors its capital base using a ratio of net debt to equity. Net debt is calculated as loans less cash and cash equivalents.

The Group's Net debt to Equity ratio at the end of the year is as follows:

	31 July 2020	31 July 2019
Loans	**155,608,206**	180,769,397
Less:		
Cash and cash equivalents	**(2,394,383)**	(7,053,316)
Net debt	**153,213,823**	173,716,081
Total equity	**749,048,919**	746,546,274
Net debt to equity ratio	**20%**	23%

28- RELATED PARTIES

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

	Nature of transaction	Nature of transaction	**31 July 2020**	31 July 2019
Dr. Ahmed bin Nasser Elmet'eb	Shareholder and BOD member	Leases	**13,188,000**	7,682,130
Al Qasabi Contracting Company Limited	Shareholder of the Company	Contracting services	--	10,215,476

- The above transactions resulted in following balances:

	31 July 2020	31 July 2019
Dr. Ahmed bin Nasser Elmet'eb*	**9,139,862**	5,993,032
Al Qasabi Contracting Company Limited		3,676,592

* The balance due to Dr. Ahmed bin Nasser Elmet'eb of SR 9,139,862 was classified as follows:

(SR 8,939,862) due for leases within lease liabilities on right-of-use assets

(SR 200,000) classified under due to related parties

Key management personnel compensations

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

	2020	2019
Salaries & compensations	**4,746,590**	4,095,680
End of service benefits and employees' benefits	**864,341**	1,050,637
	5,610,931	5,146,317

(Expressed in Saudi Riyals unless otherwise stated)

29. SEGMENT REPORTING

The Group's revenue of SR 336,4 million is concentrated in education fees representing 100% of total revenue for the financial year ended 31 July 2020 .(financial year ended 31 July 2019: SR 320.6 million). Accordingly, all the Group's assets and liabilities are dedicated for education sector.
The Group is mainly involved in the establishment of national and international schools activity, kindergarten, primary and secondary schools for boys and girls in Riyadh region. Information related to operating segments of the Group mentioned below are regularly reported to Operating Decision Makers in the Group are described as follows:

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

As at and for the year ended 31 July 2020

	Private schools	**International schools**	**Indian schools**	**French schools**	**Total**
Revenue	**197,556,415**	**85,205,468**	**44,522,195**	**9,092,856**	**336,376,934**
Cost of revenue	**(124,826,670)**	**(58,173,673)**	**(30,227,633)**	**(6,893,729)**	**(220,121,705)**
Gross profit	**72,729,745**	**27,031,795**	**14,294,562**	**2,199,127**	**116,255,229**
Property and equipment	**415,393,533**	**75,471,661**	**7,493,436**	**1,225,128**	**499,583,758**
Depreciation	**11,241,783**	**3,141,016**	**1,508,168**	**380,738**	**16,271,705**

As at and for the year ended 31 July 2019

	Private schools	International schools	Indian schools	French schools	Total
Revenue	194,625,062	73,632,907	43,356,579	8,970,446	320,584,994
Cost of revenue	(124,796,837)	(50,894,727)	(30,542,387)	(6,503,465)	(212,737,416)
Gross profit	69,828,225	22,738,180	12,814,192	2,466,981	107,847,578
Property and equipment	404,829,348	87,321,371	8,487,963	1,688,703	502,327,385
Depreciation	11,487,030	1,728,146	1,889,201	459,192	15,563,569

(Expressed in Saudi Riyals unless otherwise stated)

29- SEGMENT REPORTING - (CONTINUED)

Reconciliation of information on reportable segments to the Group's net income before Zakat:

	31 July 2020	31 July 2019
Gross profit from reported segment	**116,255,229**	107,847,578
Unallocated amount:		
Other income	**13,748,941**	10,006,194
Impairment of accounts receivable	**(9,010,960)**	(1,839,998)
General and administrative expenses	**(19,731,167)**	(20,589,696)
Finance costs	**(23,653,263)**	(11,005,795)
Total unallocated amount	**(38,646,449)**	(23,429,295)
Income before Zakat	**77,608,780**	84,418,283

30. NON-CASH TRANSACTIONS

During the year, the following non-cash transaction arose:

Transferred from projects in progress to property and equipment	**83,714,534**	**49,149,202**
Right-of-use assets against lease liabilities and rent paid in advance	**284,677,430**	**--**
Transfer from property and equipment to intangible assets	**1,570,880**	**--**
Unpaid dividends	**74,191**	**25,000,000**
Actuarial (losses) on re-measurement of employees' end of service benefits	**(6,195,445)**	**(1,212,150)**

31- DIVIDENDS

On 25 Jumada' I 1441H (corresponding to 20 January 2020), the Extraordinary General Assembly decided a dividend of SR 40 million for the year ended 31 July 2019 (31 July 2018: SR 60 million).

32- THE IMPACT OF THE OUTBREAK OF THE NOVEL CORONAVIRUS (COVID-19) ON THE FINANCIAL STATEMENTS

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

The Group provided discounts of 20% for the higher stages (intermediate and secondary), 25% for the upper grades of the primary stage and 50% for the elementary grades of the primary stage, up to 60% for the kindergarten stages, during the distance-learning period, provided that the guardian pays the tuition fees before 1/11/2020. On the other hand, the Group continuously reviews the educational and administrative structures, in addition to other cost items in accordance with the requirements of the current circumstances and the decisions issued by the relevant government agencies.

33- SUBSEQUENT EVENTS

On 19 Dhul-Hijjah 1441H (corresponding to 9 August 2020), the Group signed a memorandum of understanding (non-binding) with the owners of Al Wasat National Training and Education Company (a limited liability company) to acquire a share of 52% in Al Wasat National Schools Company for Training and Education (under acquisition) in the city of Riyadh.

34- APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been approved for issuance by the Board of Directors on 9 Rabi' I 1442H (corresponding to 26 October 2020).