

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the three and six months period ended
29 February 2020
together with the Independent Auditor's Report
on Review of the Condensed Consolidated Interim
Financial Statements

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and six months period ended 29 February 2020

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

To the shareholders of National Company for Learning and Education

Introduction

We have reviewed the accompanying 29 February 2020 condensed consolidated interim financial statements of **National Company for Learning and Education ("the Company") and its subsidiaries ("the Group")**, which comprises:

- the condensed consolidated statement of financial position as at 29 February 2020;
- the condensed consolidated statement of profit or loss for the three-month period and six-month periods ended 29 February 2020;
- the condensed consolidated statement of comprehensive income for the three-month period and six-month periods ended 29 February 2020;
- the condensed consolidated statement of changes in equity for the six-month period ended 29 February 2020;
- the condensed consolidated statement of cash flows for the six-month period ended 29 February 2020; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 29 February 2020 condensed consolidated interim financial statements of National Company for Learning and Education and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Fahad Mubark AlDossari
License No. 469

Date: 19 Sha'aban 1441H
Corresponding to: 12 April 2020



KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 29 February 2020
(Amounts in Saudi Arabian Riyals)

	Note	29 February 2020 (Unaudited)	31 August 2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	491,539,988	440,940,383
Intangible assets	5	37,463,466	11,906,284
Right-of-use assets	4	18,116,231	--
Total non-current assets		547,119,685	452,846,767
Current assets			
Inventories		1,037,290	1,144,078
Accounts receivable		47,082,250	31,007,029
Prepayments and other receivables		40,064,165	16,655,687
Cash and cash equivalents		126,558,063	240,045,569
Total current assets		214,741,768	288,852,363
Total assets		761,861,453	741,699,130
Equity and liabilities			
Equity			
Share capital	10	430,000,000	430,000,000
Shares premium	10	100,985,697	100,985,697
Statutory reserve		23,268,013	23,268,013
Retained earnings		40,294,775	51,284,897
Total equity		594,548,485	605,538,607
Non-current liabilities			
Non-current portion of Islamic Murabaha and Ministry of Finance loans	7.7	29,277,729	34,433,917
Employees' benefits		44,490,213	42,237,700
Non-current portion of deferred revenue of government grants	7.3	1,352,578	957,635
Non-current portion of leases liabilities on the right to use assets	4	21,028,116	--
Total non-current liabilities		96,148,636	77,629,252
Current liabilities			
Current portion of long-term Islamic Murabaha and Ministry of Finance loans	7.7	11,535,617	15,409,058
Advance revenue	8	39,141,755	31,802,103
Current portion of lease liability on right-of-use assets	4	1,087,718	--
Accounts payable		1,431,130	1,300,645
Current portion of deferred revenue of government grants	7.3	95,096	1,035,650
Accrued expenses and other payables		16,202,324	7,120,277
Zakat provision		1,670,692	1,863,538
Total current liabilities		71,164,332	58,531,271
Total liabilities		167,312,968	136,160,523
Total equity and liabilities		761,861,453	741,699,130

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
(UNAUDITED)
For the three-month and six-month periods ended 29 February 2020
(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	For the three-month period ended		For the six-month period ended	
		29 February 2020	28 February 2019	29 February 2020	28 February 2019
Revenue		54,355,489	49,350,805	104,944,206	99,228,688
Government grants and subsidies		2,131,041	2,871,262	3,639,242	5,524,719
Cost of revenue		(32,269,730)	(30,852,375)	(64,141,343)	(62,308,261)
Gross profit		24,216,800	21,369,692	44,442,105	42,445,146
Advertising and promotion expenses		(487,067)	(274,973)	(663,332)	(365,146)
General and administrative expenses		(8,915,934)	(8,083,446)	(16,152,462)	(15,573,477)
Other income		615,378	568,973	957,463	1,144,558
Impairment of account receivables		(632,456)	(942,167)	(1,102,456)	(1,574,019)
Operating profit		14,796,721	12,638,079	27,481,318	26,077,062
Finance cost, net	14	(499,835)	(71,816)	(861,992)	(1,678,097)
Profit for the period before Zakat		14,296,886	12,566,263	26,619,326	24,398,965
Zakat		(853,764)	(398,935)	(1,537,578)	(756,410)
Profit for the period		13,443,122	12,167,328	25,081,748	23,642,555
Earnings per share:					
Basic and diluted earnings per share	15	0.31	0.28	0.58	0.63

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)**
For the three-month and six-month periods ended 29 February 2020
(Amounts in Saudi Arabian Riyals)

	For the three-month period ended		For the six-month period ended	
	29 February 2020	28 February 2019	29 February 2020	28 February 2019
Profit for the period	13,443,122	12,167,328	25,081,748	23,642,555
<u>Other comprehensive income</u>				
<u>Items that will not be reclassified subsequently to profit or loss</u>				
Actuarial (gains) / losses on re-measurement of employees' benefits	(5,333,970)	2,220,000	(1,671,870)	3,175,000
Total items that will not be reclassified to profit or loss in subsequent periods	(5,333,970)	2,220,000	(1,671,870)	3,175,000
Total other comprehensive income for the period	(5,333,970)	2,220,000	(1,671,870)	3,175,000
Total comprehensive income for the period	8,109,152	14,387,328	23,409,878	26,817,555

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





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six-month period ended 29 February 2020
(Amounts in Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance as at 1 September 2018 (Audited)	300,000,000	--	18,228,764	24,508,165	342,736,929
Amendments to adoption of IFRS 9	--	--	--	(5,225,505)	(5,225,505)
Balance as at 1 September 2018 (restated)	300,000,000	--	18,228,764	19,282,660	337,511,424
Capital increase - (Note 10)	130,000,000	--	--	--	130,000,000
Share premium - (Note 10)	--	100,985,697	--	--	100,985,697
Total	430,000,000	100,985,697	18,228,764	19,282,660	568,497,121
Profit for the period	--	--	--	23,642,555	23,642,555
Other comprehensive income	--	--	--	3,175,000	3,175,000
Total comprehensive income for the period	--	--	--	26,817,555	26,817,555
Dividends (Note 16)	--	--	--	(17,200,000)	(17,200,000)
Balance as at 28 February 2019	430,000,000	100,985,697	18,228,764	28,900,215	578,114,676
Balance as at 1 September 2019 (Audited)	430,000,000	100,985,697	23,628,013	51,284,879	605,538,607
Profit for the period	--	--	--	25,081,748	25,081,748
Other comprehensive income for the period	--	--	--	(1,671,870)	(1,671,870)
Total comprehensive income for the period	--	--	--	23,409,878	23,409,878
Dividends (Note 16)	--	--	--	(34,400,000)	(34,400,000)
Balance as at 29 February 2020 (unaudited)	430,000,000	100,985,697	23,628,013	40,294,775	594,548,485

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






NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(UNAUDITED)
For the six-month period ended 29 February 2020
(Amounts in Saudi Arabian Riyals)

	29 February 2020	28 February 2019
Cash flows from operating activities		
Profit for the period before Zakat	26,619,326	24,398,965
Adjustments for:		
Amortization and depreciation	5,049,538	5,925,766
Depreciation for right of use assets	214,018	--
Employees' benefits	2,150,049	2,083,949
Realized revenue from government grants	(545,611)	(681,121)
Short-term Islamic deposits' returns	(1,839,056)	(1,270,802)
Gains on disposal of property, plant and equipment	(125,714)	--
Finance costs	2,701,048	2,984,197
Impairment of accounts receivable	1,102,456	1,574,019
	35,326,054	35,014,973
Changes in operating assets and liabilities		
Accounts receivable	(16,302,167)	(13,882,558)
Inventories	106,788	1,177,568
Prepayments and other receivables	(20,077,304)	(1,630,610)
Accounts payable	130,485	1,762,727
Accrued expenses and other payables	7,311,852	(226,354)
Advance revenue	1,986,238	16,755,237
Employees' benefits paid	(2,953,140)	(722,949)
Zakat paid	(1,755,661)	(1,549,439)
Net cash from operating activities	3,773,145	36,698,595
Cash flows from Investing Activities		
Acquisition of property, plant, equipment and capital work in progress	(46,861,085)	(18,038,416)
Proceeds from disposal of property, plant and equipment	125,714	--
Proceeds from short-term Islamic deposits' returns	1,839,056	1,270,802
Net payments for subsidiary's acquisition	(27,241,981)	--
Net cash used in investing activities	(72,138,296)	(16,767,614)
Cash flows from financing activities		
Proceeds from issuance share capital	--	130,000,000
Proceeds from share premium	--	100,985,697
Repayment of Islamic Murabaha and Ministry of Finance loans	(10,722,355)	(10,722,354)
Dividend paid	(34,400,000)	--
Net cash (used in) / generated from financing activities	(45,122,355)	220,263,343
Net change in cash and cash equivalents	(113,487,506)	240,194,324
Cash and cash equivalents at beginning of the period	240,045,569	37,280,096
Cash and cash equivalents at end of the period	126,558,063	277,474,420
Non-cash transactions during the period		
Actuarial (losses) / gains on re-measurement of employees' benefits	(1,671,870)	3,175,000
Interest capitalized on capital on progress	36,068	--
Transfer from capital on progress	10,735,542	--

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






NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the six-months period ended 29 February 2020

(Amounts in Saudi Arabian Riyals)

1. ORGANIZATION AND ACTIVITIES

National Company for Learning and Education, (“the Company”) a Saudi joint stock company registered under Commercial Registration No, 1010178851 issued in Riyadh dated 4 Jumada I 1423H corresponding to 14 July 2002,

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

The Company operates through its branches and its subsidiary mentioned below:

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

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

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

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

Branch of Tarbyah Namouthajiyah Schools/Beradaa District under CR no. 1131300125 dated 16 Ramdan II 1440 H corresponding to 21 May 2019.

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

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

These consolidated financial statements include the accounts of the Company, its branches, and the following subsidiary that the group owns 100% of the share capital directly (referred to as the “group”)

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Ownership %</u>	
		<u>29 February 2020</u>	<u>31 August 2019</u>
Al Khwarizami Educational Company	Kingdom of Saudi Arabia	100	--

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

2. BASIS OF PREPARATION

Statement of compliance

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

These condensed consolidated interim financial statements should be read in conjunction with the financial statements for the Group’s annual financial statements as at 31 August 2019, These financial statements do not include all the required information to prepare a full set of financial statements in accordance with IFRS; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the previous year financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
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(UNAUDITED)
For the six-months period ended 29 February 2020
(Amounts in Saudi Arabian Riyals)

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement

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

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals (SR), which is the functional and presentation currency of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1- Basis of consolidation

I. Business combinations

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

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

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

II. Subsidiaries

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

III. Non-controlling interests ("NCI")

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

IV. Loss of control

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the six-months period ended 29 February 2020

(Amounts in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2- Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the six-months period ended 29 February 2020

(Amounts in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3- Revenue recognition

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

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

Education services

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

Other income is realized when the related services are provided.

4- Financial instruments

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
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(UNAUDITED)
For the six-months period ended 29 February 2020
(Amounts in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL, This includes all derivative financial assets, On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as 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 OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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

Impairment of financial assets

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

Loss provisions are measured on the bases of Expected Credit Losses “ECL” 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 provisions 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 ECL, 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.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the six-months period ended 29 February 2020

(Amounts in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

Measurement of ECL

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

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

Impaired financial assets

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

Presentation of impairment

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

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

Financial liabilities:

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

Derecognition

Financial assets

A financial asset (or part of a Group of similar financial assets) is disposed mainly (i.e. disposed 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 or incurred cash flows from the asset, or an obligation to pay cash flows received in full without delay to a third party under a "pass" arrangement; and (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 asset.

Financial liabilities

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5- Share premium

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

4. CHANGES IN ACCOUNTING POLICIES

IFRS 16 'Leases'

- IFRS 16 'Leases' replaces the following standard and interpretations:
- IAS 17 'Leases.'
- IFRIC 4 'Determining whether an Arrangement contains a lease.'
- IFRIC 15 "Operating leases - incentives.'
- SIC 27 'Evaluating the substance of transactions involving the legal form of a lease.'

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

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

As a lessee

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

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

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

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

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4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(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 condensed interim statement of profit or loss if the carrying amount of the related asset is Zero.

Short-term leases

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

Extension options

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

As a lessor

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

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

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

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

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

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

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

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

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4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

Impact on the condensed consolidated interim financial statements

During the period the Group acquired a subsidiary. As the result for this acquisition the Group recognised a right-of-use of assets and lease liability, the table below summaries the amounts recognize during the period:

a- Right-of-use assets:

	29 February 2020
Opening balance	--
Right-of-use assets as a result of the acquisition of the Subsidiary	18,330,249
Depreciation charge	(214,018)
Closing balance	18,116,231

b- Lease liability on right-of-use:

	29 February 2020
Opening balance	--
Lease liability on right-of-use assets as a result of the acquisition of the Subsidiary as at 1 December 2019.	21,848,444
Interest on lease liability	267,390
Paid during the period	--
Closing balance	22,115,834
Current portion of lease liability on right-of-use assets	1,087,718
Non- current portion of lease liability on right-of-use assets	21,028,116
Lease liabilities on right-of-use assets	22,115,834

5. ACQUISITION OF SUBSIDIARY

- Acquisition of Al Khwarizami Educational Companys' shares:

On 1 December 2019 the Company acquired 100% of the share and voting interest of Al Khwarizami Educational Company ("the Subsidiary"). Taking control of Al Khwarizami Educational Company enabled the Group to consolidate its financial statements in those condensed consolidated interim financial statements.

Al Khwarizami Educational Companys' activities are education for national schools.

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5. ACQUISITION OF SUBSIDIARY (CONTINUED)

- Acquisition of Al Khwarizami Educational Companys' shares (continued):

For the 3 months period ended 29 February 2020 Al Khwarizami Educational Company contributed revenue of SR 3.9 million from the revenue of Group and net profit of SR 1.5 million from the net profit of the Group. If the acquisition had occurred on 1 September 2019, management estimates that consolidated revenue would have been SR 108,9 million, and consolidated net profit for the period would have been SR 26,3 million.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

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

* The fair value of identifiable net assets has been measured provisionally pending completion of an independent valuation.

* * The goodwill has been allocated to Al Khwarizami Educational Company as it is a cash generated unit.

The Company has incurred acquisition related costs amounted to SR 1,108,354 which included in general and administrative expenses

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6. PROPERTY, PLANT AND EQUIPMENT

	Land (*)	Buildings and improvements on owned buildings	Furniture and fixture	Computers and related equipment	Vehicles	Capital work in progress (**)	Total
Cost							
As at 1 September 2018	101,308,775	222,973,661	28,574,302	49,423,661	7,279,204	110,673,926	520,233,529
Additions during the year	--	136,716	321,773	401,432	--	62,175,877	63,035,798
Disposal during the year	--	--	--	(891,600)	--	--	(891,600)
As at 31 August 2019	101,308,775	223,110,377	28,896,075	48,933,493	7,279,204	172,849,803	582,377,727
Additions due to the acquisition	--	8,079,480	430,498	1,361,325	1,194,822	--	11,066,125
Additions during the period	--	509,500	1,682,233	1,709,911	--	42,995,509	46,897,153
Disposals during the period	--	--	--	--	(1,160,640)	--	(1,160,640)
Transfer from capital work in progress	--	9,155,975	208,776	1,370,791	--	(10,735,542)	--
As at 29 February 2020	101,308,775	240,855,332	31,217,582	53,375,520	7,313,386	205,109,770	639,180,365
Accumulated depreciation							
As at 1 September 2018	--	59,600,346	23,199,608	40,566,408	7,256,929	--	130,623,291
Charge for the year	--	6,970,946	2,037,383	2,434,963	7,000	--	11,450,292
Disposal during the year	--	--	--	(636,239)	--	--	(636,239)
As at 31 August 2019	--	66,571,292	25,236,991	42,365,132	7,263,929	--	141,437,344
Charge due to the acquisition	--	573,039	231,261	639,754	1,013,664	--	2,457,718
Charge for the period	--	2,877,290	901,798	1,116,449	10,418	--	4,905,955
Disposals for the period	--	--	--	--	(1,160,640)	--	(1,160,640)
As at 29 February 2020	--	70,021,621	26,370,050	44,121,335	7,127,371	--	147,640,377
Net book value							
As at 29 February 2020	101,308,775	170,833,711	4,847,532	9,254,185	186,015	205,109,770	491,539,988
As at 31 August 2019	101,308,775	156,539,085	3,659,084	6,568,361	15,275	172,849,803	440,940,383

(*) Land item includes mortgaged lands to the Ministry of Finance represented in the land of Tariyah Namouthajiyah Schools- Al-Rawabi District amounting to SR 19,681,750 and the land of Tariyah Namouthajiyah Schools- Al-Nuzha District amounted to SR 16,658,500 as at 29 February 2020. In addition, Buildings item includes a mortgaged building to the Ministry of Finance represented in the branch of Tariyah Namouthajiyah Schools - Al-Rawabi District with net carrying amount of SR 46,696,705 as at 29 February 2020 to secure both loans from the Ministry of Finance (Note 7.1 & 7.2).

(**) The capital work in progress includes School project in Al-Qairawan District represents mainly the value of a plot of land to establish schools in Al-Qairawan District in the amount of SR 44,587,500 mortgaged to a local bank provided that release of mortgage shall be carried out subsequent to paying the last installment on 8 March 2022 (Note 7.4).

(**) The capital work in progress includes Khobar Al Qasr scheme project represents mainly the value of two plots of land to establish schools in Al Qasr scheme in Khobar in a total amount of SR 18,185,377 mortgaged to a local bank through mortgaging the land to a subsidiary of the lending bank that release of mortgage shall be carried out subsequent to paying the last installment on 18 May 2023 (Note 7.5).

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in accounting estimates

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

<u>Assets Class</u>	<u>Useful lives before modification</u>	<u>Useful lives after modification</u>
Buildings and improvements on owned buildings	10-33	66 or end of contracts
Furniture and fixtures	7 -10	10
Computers and equipment	4 -10	25-4
Motor vehicles	5	10

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

Description	Before modification	After modification
Depreciation charge for the period	6,214,784	4,905,955
Cumulative depreciation	148,949,206	147,640,377
Net book value of property, plant and equipment	490,231,159	491,539,988

7. ISLAMIC MURABAHA AND MINISTRY OF FINANCE LOANS

Term Islamic Murabaha and Ministry of Finance loans are presented as follows:

Loans from the Ministry of Finance without financial charges

- 7.1 Loan from the Ministry of Finance under loan contract no. 42 to finance the establishment of an educational complex on 1 March 2009 corresponding to 4 Rabi I 1430H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Rawabi District (previously Al Hadara School in Riyadh). The payment must be on ten annually equal installments. The first installment started after four years from the date of contract. This loan does not carry any finance charges. Eight installments have been paid amounting to SR 20 million. Outstanding balance of the loan as at 29 February 2020 is SR 5 million. This loan is secured by mortgaging title deed and ownership of real estate including the mortgage of the project land and any constructions thereon whether in the past or in future in favour of the Ministry of Finance.
- 7.2 Loan from the Ministry of Finance under loan contract no. 49 to finance the establishment of an educational complex on 5 January 2010 corresponding to 19 Muharram 1431H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Nuzha District. Loan of SR 25,000,000 is to be paid in ten equal annual amount installments. The first installment started after four years from the date of contract. This loan does not carry any finance charges. Seven installments have been paid amounting to SR 17.5 million. Outstanding balance of the loan as at 29 February 2020 is SR 7.5. This loan is secured by mortgaging title deed and ownership of a property that includes mortgaging the land of the project in favour of the Ministry of Finance.

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

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

	29 February 2020	31 August 2019
Balance at beginning of the period / year	17,500,000	22,500,000
Paid during the period / year	(5,000,000)	(5,000,000)
Balance at end of period / year	12,500,000	17,500,000

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

Total loans at end of the period / year	12,500,000	17,500,000
<u>Less: deferred finance charges</u>		
Balance at beginning of the period / year	(1,993,285)	(3,233,122)
Finance charges for the period / year	545,611	1,239,837
Balance at end of period / year	(1,447,674)	(1,993,285)
Present value of loans at end of the period / year	11,052,326	15,506,715

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

	29 February 2020	31 August 2019
Balance at the beginning of the period / year	(1,993,285)	(3,233,122)
Amortization during the period / year	545,612	1,239,837
Deferred revenue of government grants at the end of the period / year	(1,447,674)	(1,993,285)
Current portion of deferred revenue of government grants	95,096	1,035,650
Non-current portion of deferred revenue of government grants	1,352,578	957,635
Deferred revenue of government grants at the end of the period / year	1,447,674	1,993,285

Commercial banks' Islamic Murabaha

- 7.4 Murabaha from a commercial bank to finance acquisition of a plot of land in Al-Qairawan District in Riyadh on 7 March 2016 corresponding to 27 Jumada I 1437H. Murabaha has been obtained amounting to SR 40,697,967 including returns of SR 9,721,973 at a profit return rate of 7.5% provided that Murabaha shall be repaid on ten equal semi-annual installments of SR 4,069,797 each. The first installment was repaid on 10 September 2017. Murabaha has been obtained through mortgaging this land in the name of a subsidiary of the bank as a collateral, provided that release of mortgage shall be carried out subsequent to the repayment of the last installment on 8 March 2022.
Outstanding balance of Murabaha as at 29 February 2020 is SR 20,348,983.

- 7.5 Murabaha from a commercial bank to finance acquisition a plot of land in Khobar on 18 May 2017 corresponding to 21 Sha'ban 1438 H. Murabaha has been obtained amounting to SR 16,975,695 including returns of SR 4,341,174 at profit return rate of 8.25% to purchase two plots of land to build schools in Khobar provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 1,626,808 each. The first installment was repaid on 18 November 2018. Murabaha has been obtained by mortgaging these lands in the name of a subsidiary of the said bank provided that the release of mortgage shall be carried out subsequent to the repayment of the last installment on 18 May 2023.
Outstanding balance of Murabaha as at 29 February 2020 is SR 11,387,655.

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

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

Outstanding balance of Murabaha as at 29 February 2020 is SR 1,192,335.

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

	29 February 2020	31 August 2019
Balance at beginning of the period / year	38,651,328	50,096,036
Paid during the period / year	(5,722,354)	(11,444,708)
Balance at end of period / year	32,928,974	38,651,328
The present value of Islamic Murabaha obtained from commercial banks is as follows:		
Total Murabaha at the end of the year	32,928,974	38,651,328
<u>Less: deferred financial charges</u>		
Balance at beginning of the period / year	(4,315,068)	(7,134,644)
Financial charges for the period / year	1,147,115	2,819,576
Balance at the end of the period / year	(3,167,952)	(4,315,068)
Present value of loans at end of the period / year	29,761,020	34,336,260

- 7.7 Movement in total Islamic Murabaha and Ministry of Finance loans during the period / year is as follows:

	29 February 2020	31 August 2019
Balance at beginning of the period / year	56,151,328	72,596,036
Repayment during the period / year	(10,722,354)	(16,444,708)
Balance at end of the period / year	45,428,974	56,151,328
Less: deferred finance charges		
Balance at beginning of the period / year	(6,308,353)	(10,367,766)
Finance charges during the period / year	1,692,726	4,059,413
Balance at end of the period / year	(4,615,627)	(6,308,353)
Present value of Islamic Murabaha and Ministry of Finance loans at end of the period / year	40,813,348	49,842,975
Current portion of of long-term Islamic Murabaha and Ministry of Finance loans	11,535,617	15,409,058
Non-current portion of long-term Islamic Murabaha and Ministry of Finance loans	29,277,729	34,433,917
Present value of Islamic Murabaha and Ministry of Finance loans at end of the period / year	40,813,346	49,842,975

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8. ADVANCED REVENUE

Advanced revenue is represented in education fees collected in advance for educational services for the remaining period of current academic year.

9. FINANCIAL ASSETS AND LIABILITIES

9.1 Financial assets

	29 February 2020	31 August 2019
<u>Financial assets at amortized cost:</u>		
Accounts receivable	47,082,250	31,007,029
Prepayments and other receivables	40,064,165	16,655,687
Cash and cash equivalents	126,558,063	240,045,569
Total financial assets at amortized cost	213,704,478	287,708,285

9.2 Financial liabilities

	29 February 2020	31 August 2019
<u>Financial liabilities at amortized cost:</u>		
Islamic Murabaha and Ministry of Finance loans	40,813,346	49,842,975
Trade payable	1,431,130	1,300,645
Lease liability on right-of-use assets	22,115,834	--
Accrued expenses and other liabilities	16,202,324	7,120,277
Total financial liabilities at amortized cost	80,562,634	58,263,897
Current portion of financial liabilities	30,256,789	23,829,980
Non-current portion of financial liabilities	50,305,845	34,433,917
Total financial liabilities	80,562,634	58,263,897

The carrying amount of financial assets and financial liabilities are not significantly different from their fair values.

10. SHARE CAPITAL

On 10 Rabi I 1440H (corresponding to 18 November 2018), the company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4291). The Company's share capital after the IPO was SR 430 million divided into 43 million shares through issuing 13 million shares at a par value of SAR 10 per share. The share price on the issue date was SR 19 and the share premium was SR 117 million. The IPO expenses reduced the share premium amount by SR 16 million so the share premium balance at 29 February 2020 became SR 100.98 million.

11. COMMITMENTS

	29 February 2020	31 August 2019
Contractual obligations for suppliers	1,398,083	951,645
Capital commitments - Capital work in progress	47,506,000	79,651,300
	48,904,083	80,602,945

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12. RELATED PARTIES

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

	Nature of relationship	29 February 2020	31 August 2019
Aja Trading and Contracting Company – Affiliate	Contracting revenue	4,960,846	7,064,739
Revan operation and Maintenance Company – Affiliate	Man power and supervision on projects in progress	3,723,194	7,337,26
Specialized Buildings Company – Affiliate	Consulting and Supervision on projects in progress	390,213	--
		29 February 2020	31 August 2019
Due from related parties (within prepayments and other receivables)			
Aja Trading and Contracting Company		397,456	196,956
		397,456	196,956
Due to related parties (within accrued expenses and other payables)			
Aaj Investment Company		104,002	104,002
Revan operation and Maintenance Company		503,667	700,961
Specialized Buildings Company		47,227	--
		654,896	804,963
Key management compensation			
		29 February 2020	28 February 2019
Salaries and other benefits		1,743,170	1,854,000

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13. SEGMENT REPORTING

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

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

- Al-Rayyan schools
- Al-Rawabi schools
- Al-Nuzha schools
- Qurtoba schools
- Beridaa Schools
- Al Khwariazmi Schools

For the six-month period ended 29 February 2020

	<u>Al-Rayyan Schools</u>	<u>Al-Rawabi Schools</u>	<u>Al-Nuzha Schools</u>	<u>Qurtoba Schools</u>	<u>Beridaa Schools (*)</u>	<u>Al Khwaraizmi Schools</u>	<u>Capital work in progress</u>	<u>Total</u>
Revenue	32,164,401	36,722,357	28,016,806	3,166,669	928,799	3,945,174	--	104,944,206
Government grants and subsidies	938,461	1,227,612	1,291,024	144,645	-	37,500	--	3,639,242
Cost of revenue	<u>(19,829,478)</u>	<u>(23,662,071)</u>	<u>(15,446,221)</u>	<u>(2,474,688)</u>	<u>(944,616)</u>	<u>(1,784,269)</u>	--	<u>(64,141,343)</u>
Gross profit	<u>13,273,384</u>	<u>14,287,898</u>	<u>13,861,609</u>	<u>836,626</u>	<u>(15,817)</u>	<u>2,198,405</u>	--	<u>44,442,105</u>
Property, plant and equipment	<u>83,494,880</u>	<u>69,117,893</u>	<u>80,654,436</u>	<u>33,098,299</u>	<u>11,563,981</u>	<u>8,500,729</u>	<u>205,109,770</u>	<u>491,539,988</u>
Depreciation	<u>1,054,519</u>	<u>1,227,204</u>	<u>1,794,589</u>	<u>457,532</u>	<u>253,940</u>	<u>118,171</u>	--	<u>4,905,955</u>

For the six-month period ended 28 February 2019

	<u>Al-Rayyan Schools</u>	<u>Al-Rawabi Schools</u>	<u>Al-Nuzha Schools</u>	<u>Qurtoba Schools</u>	<u>Beridaa Schools (*)</u>	<u>Al Khwaraizmi Schools</u>	<u>Capital work in progress</u>	<u>Total</u>
Revenue	33,566,474	35,907,083	28,163,857	1,591,274	--	--	--	99,228,688
Government grants and subsidies	1,426,437	1,907,314	1,992,651	198,317	--	--	--	5,524,719
Cost of revenue	<u>(21,506,373)</u>	<u>(22,461,022)</u>	<u>(16,636,000)</u>	<u>(1,704,866)</u>	--	--	--	<u>(62,308,261)</u>
Gross profit	<u>13,486,538</u>	<u>15,353,375</u>	<u>13,520,508</u>	<u>84,725</u>	--	--	--	<u>42,445,146</u>
Property, plant and equipment	<u>84,737,190</u>	<u>71,061,071</u>	<u>84,603,248</u>	<u>33,456,039</u>	--	--	<u>128,003,340</u>	<u>401,860,888</u>
Depreciation	<u>1,453,888</u>	<u>1,542,389</u>	<u>2,193,209</u>	<u>598,280</u>	--	--	--	<u>5,787,766</u>

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

(*) Beridaa Shools generated gross loss as it is the first-year operation.

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13. SEGMENT REPORTING (CONTINUED)

Information about reportable segments with net income for the Group

	29 February 2020	28 February 2019
Gross profit from sectors	44,442,105	42,445,146
Undistributed amount		
Marketing and advertising expenses	(663,332)	(365,146)
General and administrative expenses	(16,152,462)	(15,573,477)
Other income	957,463	1,144,558
Impairment of account receivables	(1,102,456)	(1,574,019)
Finance costs, net	(861,992)	(1,678,097)
Total undistributed amount	(17,822,779)	(18,046,181)
Profit before Zakat	26,619,326	24,398,965

14. FINANCE COST, NET

	29 February 2020	28 February 2019
Finance charges for Islamic Murabaha	1,111,047	1,444,778
Finance charges for government grants	545,611	681,121
Interest cost of end of service benefits	777,000	823,000
Interest charge of leased liabilities	267,390	--
Short-term islamic deposits' returns	(1,839,056)	(1,270,802)
	861,992	1,678,097

15. BASIC AND DILUTED EARNINGS PER SHARE

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

	29 February 2020	28 February 2019
Profit for the period	25,081,748	23,642,555
Weighted average number of shares	43,000,000	37,397,790
	0.58	0.63

16. DIVIDENDS

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

17. RECLASSIFICATION

Certain comparative figures of the previous period have been reclassified to match with the presentation for the current period, as follows:

	Before reclassification	Effects	After reclassification
Other revenue	2,415,360	(1,270,802)	1,144,558
Finance cost, net	(2,948,899)	1,270,802	(1,678,097)

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18. SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), causing disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia (KSA). The Group considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the management do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The scale and duration of this development remains uncertain and could impact the Group earnings and cash flow.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were authorized for issue on 16 Sha'ban 1441H (Corresponding to 9 April 2020).