National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 August 2020
together with the
Independent Auditor's Report

National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 August 2020

KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com.sa

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Independent Auditor's Report

To the Shareholders of National Company for Learning and Education
(A Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of **National Company for Learning and Education**, a **Saudi Joint Stock Company** ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 August 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 August 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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 Matters

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.

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Independent auditor's report (continued)

To the Shareholders of National Company for Learning and Education (continued)

Key Audit Matters (continued)

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 (22) relating to revenue disclosures, the Group's tuition fees revenues for the year ended 31 August 2020 amounted to SR 215 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 due to the significance of revenue from educational services, revenue was considered as a key audit matter.	We have performed the following procedures among other things: • Assessing the appropriateness of the revenue recognition policy under IFRS 15 "Revenue From Contracts with Customers". • Assessing the design and implementation and testing the operating effectiveness of controls relating to processes over revenue recognition. • Performing a test of a sample of recorded revenue transactions and comparing them with supporting documents to verify the existence of recorded revenue. • Inquiring from the management regarding fraud awareness and the existence of any actual fraud cases. • Assessing the appropriateness of the disclosures in the consolidated financial statements.

Key Audit Matter	How the matter was addressed in our audit
Goodwill impairment With reference to the significant accounting estimates and judgments as well as note (9) relating to goodwill disclosures, the consolidated financial statements included goodwill of SR 71 million as at 31 August 2020, which represents the excess of the consideration paid over the fair value of net assets held by the Group. The Company conducts an annual test of its related assets "cash-generating unit" to assess the impairment in accordance with the requirements of IAS 36 "Impairment of Assets". 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: • Obtaining 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. • Assessing the design and implementation and testing the operating effectiveness of controls relating to processes over impairment of goodwill. • Assessing 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. • Assessing the reliability of management's forecast through a review of actual performance against forecasts used by management; • Reviewing the key assumptions used by management to calculate the value in use by our specialists. We also conducted the sensitivity analysis related to these key assumptions. • Assessing the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

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Independent auditor's report (continued)

To the Shareholders of National Company for Learning and Education (continued)

Key Audit Matters (continued)	
Key Audit Matter	How the matter was addressed in our audit
IFRS (9) including measurement of expected credit losses. As at 31 August 2020, total accounts receivable amounted to SR 56 million and impairment losses of SR 20 million has been recognized against these account receivables. In accordance with the requirements of IFRS 9, the Company has applied expected credit losses model in calculating the impairment of accounts receivable. Due to the determination of impairment of accounts receivable using expected credit loss models involves significant judgments and estimates that could have a material impact on the consolidated financial statements of the Group, including the use of the expected credit loss model, was considered as a key audit matter.	We have performed the following procedures among other things: • Obtaining an understanding of the methodology adopted by management in assessing the impairment of accounts receivable values and applying the expected loss model and the related assumptions. • Examining a sample of accounts receivable balances to which impairment has been calculated during the year to assess the reasonableness of estimates used by the Group's management. • Engaging our specialists to test the assumptions used in calculating the effect of future economic conditions on impairment of accounts receivable. • Evaluating the adequacy of disclosures made by the management in the consolidated financial statements.
Key Audit Matter	How the matter was addressed in our audit
Acquisition of subsidiaries During the year, the Group completed the acquisition of 100% equity interest and voting rights of (Al-Khwarizmi Educational Company, Al Ghad National Schools Company), for an aggregate purchase consideration of SR 66.7 million. Management, assisted by an external valuation specialist (the "Management Expert"), performed a purchase price allocation ("PPA"). In carrying out the PPA, significant judgement and estimation are required in determination of the fair values of identifiable assets acquired and liabilities assumed, including the identification and assessment of intangible assets acquired and the resultant goodwill. The goodwill and intangible assets recognized amounted to SR 59.7 million and SR 11.4 million respectively, refer to Note (7). Given the significance of the acquisition as well as the inherent complexities of the acquisition process, the acquisition of subsidiary companies was considered as a key audit matter.	We have performed the following procedures among other things: • Examining the sale and purchase agreement to understand the key terms and conditions; • Evaluating the competence, capabilities and objectivity of Management Expert and evaluated the appropriateness of the work on the PPA; • Obtaining valuation report of the PPA and holding discussion with the Management Expert to understand their valuation methodology; • Engaging our specialists in assessing the appropriateness of the valuation methodologies and key assumptions applied in the PPA report, including forecasted revenue, operating profits, discount rate and cash flows, growth rate; • Assessing the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

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Independent auditor's report (continued)

To the Shareholders of National Company for Learning and Education (continued)

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
Application of IFRS (16) Lease contract The Group has adopted IFRS 16 'Leases' which replaces the provisions of IAS 17 'Leases'. As at 31 August 2020, right-of-use assets amounted to SR 72.4 million and lease liabilities amounted to SR 72.6 million. The adoption of IFRS 16 including the recognition of the related assets and liabilities and assessing whether a contract involves a lease was considered as a key audit matter, due to the reason that the assessment of leases involves material judgments and estimates that might have a material impact on the consolidated financial statements of the Group.	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 validity of adjustments resulting from the transition to adoption of IFRS 16. • Evaluating the adequacy of disclosures made by the management in the consolidated financial statements.

Independent auditor's report (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 consolidated 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 those charged with governance i.e audit committee.

Responsibilities of Management and Those Charged with Governance 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 Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance, i.e. Audit Committee are 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.

Independent auditor's report (continued)

To the Shareholders of National Company for Learning and Education (continued)

Auditor's 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 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 those charged with governance, i.e. 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 **National Company for Learning and Education** ("the Company") **and its subsidiaries** ("the Group").

We also provide those charged with governance, i.e. Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, i.e. 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 auditor's 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

كي بي إم جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
KPMG Al Fozan & Partners
Certified Public Accountants

Fahad Mubark Al Dossari
License No. 469

Date: 14 Rabi' II 1442H
Corresponding to: 29 November 2020

National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Statement of Financial Position
As at 31 August 2020
(Amounts in Saudi Arabian Riyals)

	Notes	**31 August 2020**	31 August 2019
Assets			
Non-current assets			
Property, plant and equipment	8	**517,131,174**	440,940,383
Intangible assets and goodwill	9	**81,929,262**	11,906,384
Right-of-use assets	4	**72,462,593**	--
Total non-current assets		**671,523,029**	452,846,767
Current assets			
Inventories		**2,894,867**	1,144,078
Accounts receivable	10	**36,305,494**	31,007,029
Prepayments and other receivables	11	**18,747,356**	16,655,687
Cash and cash equivalents	12	**107,519,296**	240,045,569
Total current assets		**165,467,013**	288,852,363
Total assets		**836,990,042**	741,699,130
Equity			
Share capital	19	**430,000,000**	430,000,000
Share premium	20	**100,985,697**	100,985,697
Statutory reserve	21	**29,047,848**	23,268,013
Retained earnings		**64,820,186**	51,284,897
Total equity		**624,853,731**	605,538,607
Liabilities			
Non-current liabilities			
Non-current portion of Islamic Murabaha and Ministry of Finance loans	13	**24,910,187**	34,433,917
Employees' benefits	18	**52,778,000**	42,237,700
Non-current portion of deferred revenue of government grants	14	**195,856**	957,635
Non-current portion of lease liability	4	**68,302,946**	--
Total non-current liabilities		**146,186,989**	77,629,252
Current liabilities			
Current portion of Islamic Murabaha and Ministry of Finance loans	13	**13,253,334**	15,409,058
Advance form customer	15	**28,563,097**	31,802,103
Accounts payable		**1,534,525**	1,300,645
Current portion of deferred revenue of government grants	14	**602,665**	1,035,650
Current portion of lease liability on right-of-use assets	4	**4,389,277**	--
Accrued expenses and other payables	16	**12,759,432**	7,120,277
Provision for Zakat	17	**4,846,992**	1,863,538
Total current liabilities		**65,949,322**	58,531,271
Total liabilities		**212,136,311**	136,160,523
Total equity and liabilities		**836,990,042**	741,699,130

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Statement of Profit or Loss
For the year ended 31 August 2020
(Amounts in Saudi Arabian Riyals)

	Notes	31 August 2020	31 August 2019
Revenue	22	**217,840,638**	197,942,786
Government grants and subsidies	23	**7,433,795**	9,395,934
Cost of revenue	24	**(120,041,723)**	(120,010,752)
Gross profit		**105,232,710**	87,327,968
Marketing and advertising expenses		**(1,414,205)**	(1,718,092)
General and administrative expenses	25	**(35,384,557)**	(31,856,225)
Impairment losses of account receivables	10	**(3,281,176)**	(4,611,033)
Other income	26	**1,069,321**	4,855,663
Operating income		**66,222,093**	53,998,281
Finance costs, net	27	**(3,710,045)**	(1,742,257)
Income for the year before Zakat		**62,512,048**	52,256,024
Zakat	17	**(4,713,703)**	(1,863,538)
Net income for the year		**57,798,345**	50,392,486
Earnings per share:			
Basic and diluted earnings per share	28	**1.34**	1.25

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Statement of Comprehensive Income
For the year ended 31 August 2020
(Amounts in Saudi Arabian Riyals)

	Notes	**31 August 2020**	31 August 2019
Net income for the year		**57,798,345**	50,392,486
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/ gains from re-measurement of employees' end of service benefits	18	**(4,083,221)**	3,849,000
Total items that will not be reclassified subsequently to profit or loss		**(4,083,221)**	3,849,000
Total other comprehensive (loss)/income for the year		**(4,083,221)**	3,849,000
Total comprehensive income for the year		**53,715,124**	54,241,486

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Equity
For the year ended 31 August 2020
(Amounts in Saudi Arabian Riyals)

	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 September 2018	300,000,000	--	18,228,764	19,282,660	337,511,424
Increase in share capital increase (Note 19)	130,000,000	--	--	--	130,000,000
Share premium (Note 20)	--	100,985,697	--	--	100,985,697
Total	430,000,000	100,985,697	18,228,764	19,282,660	568,497,121
Net income for the year	--	--	--	50,392,486	50,392,486
Other comprehensive income	--	--	--	3,849,000	3,849,000
Total comprehensive income for the year	--	--	--	54,241,486	54,241,486
Transferred to statutory reserve	--	--	5,039,249	(5,039,249)	--
Dividends (Note 34)	--	--	--	(17,200,000)	(17,200,000)
Balance at 31 August 2019	430,000,000	100,985,697	23,268,013	51,284,897	605,538,607
Balance at 1 September 2019	**430,000,000**	**100,985,697**	**23,268,013**	**51,284,897**	**605,538,607**
Net income for the year	**--**	**--**	**--**	**57,798,345**	**57,798,345**
Other comprehensive loss	**--**	**--**	**--**	**(4,083,221)**	**(4,083,221)**
Total comprehensive income for the year	**--**	**--**	**--**	**53,715,124**	**53,715,124**
Transferred to statutory reserve	**--**	**--**	**5,779,835**	**(5,779,835)**	**--**
Dividends (Note 34)	**--**	**--**	**--**	**(34,400,000)**	**(34,400,000)**
Balance at 31 August 2020	**430,000,000**	**100,985,697**	**29,047,848**	**64,820,186**	**624,853,731**

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

National Company for Learning and Education
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
For the year ended 31 August 2020
(Amounts in Saudi Arabian Riyals)

	31 August 2020	31 August 2019
Cash flows from operating activities		
Income for the year before Zakat	**62,512,048**	52,256,024
Adjustments for:		
Impairment losses of accounts receivable	**3,281,176**	4,611,033
Impairment allowance for other receivable balances	**326,570**	469,156
Reversal of allowance for other receivable balances	**(17,908)**	--
Impairment allowance for inventories	--	247,433
Gains on disposals of property, plant and equipment	**(125,714)**	(66,600)
Depreciation and amortization	**8,683,124**	11,730,634
Employees' benefits	**3,214,636**	4,220,308
Finance costs	**5,873,203**	5,670,856
Return on short-term Islamic Murabaha	**(2,163,158)**	(3,928,599)
Realized revenue from government grants	**(1,194,764)**	(1,239,837)
	80,389,213	73,970,408
Changes in operating assets and liabilities		
Accounts receivable	**(5,563,344)**	(8,351,719)
Inventories	**(590,172)**	519,919
Prepayments and other receivables	**4,386,324**	(1,317,985)
Accounts payable	**134,261**	282,779
Accrued expenses and other payables	**(185,223)**	3,478,892
Advance form customer	**(14,167,500)**	1,847,737
Zakat paid	**(1,755,661)**	(1,549,433)
Employees' benefits paid	**(5,865,832)**	(4,686,608)
Net cash flows generated from operating activities	**56,782,066**	64,193,990
Cash flows from investing activities		
Purchase of property, plant and equipment and projects in progress	**(73,577,826)**	(62,708,880)
Purchase of investment	**(63,684,818)**	--
Purchase of intangible assets	--	(55,825)
Proceeds from disposals of property and equipment	**125,714**	66,600
Proceeds from return on short-term Islamic Murabaha	**2,163,158**	3,928,599
Net cash flows used in investing activities	**(134,973,772)**	(58,769,506)
Cash Flow from financing activities		
Received from share capital increase	--	130,000,000
Received from share premium	--	100,985,697
Repayment of Islamic Murabaha and Ministry of Finance loans	**(14,817,900)**	(16,444,708)
Dividends paid	**(34,400,000)**	(17,200,000)
Repayment of finance costs	**(5,116,667)**	--
Net cash flows (used in) / generated from financing activities	**(54,334,567)**	197,340,989
Net change in cash and cash equivalents	**(132,526,273)**	202,765,473
Cash and cash equivalents at beginning of the year	**240,045,569**	37,280,096
Cash and cash equivalents at end of the year	**107,519,296**	240,045,569

Significant non-cash transactions during the year

Capitalized returns on projects in progress	**82,991**	71,557
Actuarial (losses) /gains on re-measurement of employees' benefits	**(4,083,221)**	3,849,000

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

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

On 10 Rabi I 1440H (corresponding to 18 November 2018), the Company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4291). The Company's share capital after the IPO was SR 430 million divided into 43 million shares through issuing 13 million shares at a par value of SR 10 per share in addition to share premium of SR 100.98 million (Note 20).

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

		Shareholding (%)	
Subsidiary	**Country of incorporation**	**31 August 2020**	31 August 2019
Al Khwarizmi Educational Company	Kingdom of Saudi Arabia	**100**	--
Al Ghad National Schools Company	Kingdom of Saudi Arabia	**100**	--

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

2. BASIS OF PREPARATION

Statement of compliance
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 have been consistently applied to all periods presented in these consolidated financial statements.

2. BASIS OF PREPARATION (CONTINUED)

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

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

3. NEW STANDARDS AND AMMENDMENT ISSUED

The new amendments to use standards issued up to the date of issuance of the Group's financial statements are listed below.

Standards / interpretations	Description	Effective from the periods beginning on or after
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

These amendments have no impact on the financial statements of the Group.

4. CHANGES IN ACCOUNTING POLICIES

IFRS 16 'Leases'
IFRS 16 'Leases' replaces the following standard and interpretations:
- IAS 17 "Leases".
- IFRIC 4 "Determining whether an Arrangement contains a Lease".
- SIC 15 'Operating Leases-Incentives'.
- SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

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

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

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

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

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16 'Leases' (continued)

The Group 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 of right-of-use asset is 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 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 uses the incremental borrowing rate.

After the commencement date, the Group measures 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 profit or loss if the carrying amount of the related asset is Zero.

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

Extension options
In case of leases that provide extension options, the Group assesses whether if it is reasonably certain, at commencement date, that the extension options will be exercised. The Group reassesses whether it is reasonably certain to exercise the options if there was 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 performs overall assessment whether lease transfers 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 Group uses the interest rate implicit in the lease to measure the net investment in the lease.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16 'Leases' (continued)

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, the Group recognizes 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: The Group recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies 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, The Group applies IAS 36 to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.

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

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

Impact on the consolidated financial statements

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

a) Right-of-use asset	**31 August 2020**
Opening balance	--
Right-of-used assets as a result of acquisition of subsidiaries	**74,055,395**
Depreciation charged	**(1,592,802)**
Closing balance	**72,462,593**

b) Lease liabilities	**31 August 2020**
Opening balance	--
Lease liabilities as a result of acquisition of a subsidiary (Al Khwarizmi Educational Company) (Note 7)	**21,848,445**
Lease liabilities as a result of acquisition of a subsidiary (Al Ghad Company) (Note 7) (*)	**55,113,058**
Interests on lease liabilities	**847,388**
Payments during the year	**(5,116,667)**
Closing balance	**72,692,223**
Current portion of lease liabilities	**68,302,946**
Non-current portion of lease liabilities	**4,389,277**
Lease liabilities	**72,692,223**

The Group calculates the present value of leases using the Group's incremental borrowing rate that ranges from 3% to 5% over the lease term and amortizes the right-of-use asset using the straight-line method over the lease term.

(*) During the year, the subsidiary company signed a lease contract with the new lessor of the building, resulting in an amendment of the terms and lease contract.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

1- Business combination

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

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

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

2- Subsidiaries

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

3- Non-Controlling Interest

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

4- Loss of control

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

b) Fair value measurement

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Fair value measurement - (continued)

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 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.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and Murabaha facilities with original maturity of less than three months from the date of acquisition. 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.

d) Inventories

Inventories comprise of textbooks, office equipment 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 sales in the consolidated statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

e) 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 assistances are granted by governments or related institutions with a return rate below the prevailing return rate, the effect of this favorable return is regarded as a government grants.

f) Financial instruments

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

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.

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 consolidated 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.

Financial liabilities
The Group derecognizes financial liabilities when its contractual obligations are discharged, 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 amortized carrying amount and the amount paid (including any non-cash assets transferred or charged liabilities) is recognized in the consolidated statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

Impairment of financial asset

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

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.

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 impairments (i.e. the difference between the cash flows due to the Company 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 accounts 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 accounts receivables, if any, are presented in the consolidated statement of profit or loss under a separate item.

g) 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 and cash equivalents 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Property, plant and equipment

Property, plant 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 property, plant and equipment items have different useful lives, they are accounted for as separate items of property, plant equipment.

Depreciation of property, plant and equipment is charged to the statement of profit or loss using straight-line method over the estimated useful life for each item in accordance with the annual estimated useful lives as follows:

Category of assets	Useful lives (years)
Buildings and improvements on buildings	10-66 or until end of lease term
Furniture & fixture	10
Computers and equipment	4-25
Motor vehicles	10

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 are different than those estimated previously. The effect of such changes is recognized in the consolidated statement of profit or loss prospectively.

The Group has changed the useful lives (Note 8).

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 costs, are transferred to the respective class of assets. Capital work in progress is not depreciated.

i) Intangible assets and goodwill

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 expenditure is incurred.

1) Software
Software licenses purchased from other parties are initially recorded at cost. These are depreciated using the straight-line method over their estimated useful life of five years.

2) 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. Upon business combination for the Group, acquisition method 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3) Student list

Student list that the Group obtains from the acquisition of subsidiaries and has a finite useful life is measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives of 6 - 7 years and is recognized in profit or loses.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

j) Borrowing costs

Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of profit or loss.

k) 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. The recoverable amount of an asset is the higher of an asset's or cash-generating unit'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 specified 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 losses in respect of goodwill are 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 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.

l) 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 in the Kingdom of Saudi Arabia ("GAZT"). The resulting provision is recorded within the consolidated statement of profit or loss. Additional Zakat liability, if any, relating to prior years' assessments arising from GAZT are recognized in the period in which the final assessments are finalized.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) 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.

Re-measurements for actuarial gains and losses are recognized in the consolidated statement of financial position and the corresponding balance is added to the retained earnings through other 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.

n) 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 render a service to the customer.
Step 3: Determine the transaction price.	The transaction price is the amount of consideration the Group expects to be entitled to in exchange for transferring the 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 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 when (or as) it satisfies a performance obligation by transferring promised goods or performing services to the customer under the contract.

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Revenue recognition (Continued)

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

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

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

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

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

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

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

o) Dividends

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

p) Earnings per share

The Group presents information on basic and diluted earnings per share for its ordinary shares. Earnings per share from net profit is calculated by dividing the profit or loss attributable to the Group's ordinary shareholders by the weighted average number of 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated to Saudi Riyals at the foreign exchange rate prevailing at that date. Gains or losses arising on exchanges are recognized in the consolidated statement of profit or loss currently.

r) Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, 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.

s) Contingent Liabilities

These 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 obligation cannot be measured with sufficient reliability, then it is not recorded in contingent liabilities but is disclosed in the consolidated financial statements.

t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including income and expenses that relate to transactions with any of the Group's other components. 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.

u) Loans

Long-term borrowings are initially recognized at their fair value (being proceeds received, net of eligible transaction costs incurred, if any). Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the period of the long-term borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates of the Group are based on information available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. These changes are reflected in the assumptions when they occur.

a) Defined benefit plans

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

b) 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 CGU is based on the value in use ("VIU"). This valuation process used to determine the value in use includes the use of methods such as the discounted cash flows method which uses assumptions to estimate cash flows. The VIU depends significantly on the discount rate used in the discounted cash flows model as well as the expected future cash flows.

c) Provision for expected credit loss on accounts receivable

The Group uses a model in estimating lifetime expected credit losses ("ECLs") that have not been credit-impaired or credit-impaired based on a change in the credit risk associated with the financial instrument.

The Group uses the simplified approach using an allowance matrix to measure ECLs of account receivables from individual customers, which comprise a very large number of small balances.

Account receivables are combined based on the common credit risk characteristics and the days in which they are due to measure the ECLs. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic activity indicators affecting the ability of the customers to settle the receivables.

d) Useful lives of property, plant and equipment

The management of the Group determines the estimated useful life of property, plant and equipment for calculating depreciation. This estimate is made after considering the expected usage of the asset or physical wear and tear. Management periodically reviews the estimated useful lives and depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefits to the assets.

e) Lease's discount rate

The management of the Group uses estimates in determining the incremental borrowing rate in computing the present value of minimum lease payments, as well as the expected lease term in the event of extension options.

7. ACQUISITION OF SUBSIDIARIES

During the year, the Company acquired subsidiary companies, to achieve targeted growth rates and returns by owning high-quality educational complexes, in line with its expansion policies.

a) Acquisition of Al Khwarizmi Educational Company's shares:

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

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

From the date of the acquisition, on 1 December 2019, until 31 August 2020, the revenues of Al-Khwarizmi Educational Company amounted to SR 11.7 million of the Group's revenue and net income of SR 4.8 million of the Group's net income. The Group's management believes that had the acquisition been from 1 September 2019, the Group's revenues and net income would have been SR 239 million and SR 53.4 million, respectively.

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

	1 December 2019
ASSETS	
Property, plant and equipment	**8,608,407**
Right-of-use assets	**18,330,249**
Accounts receivable	**875,510**
Prepayments and other receivables	**3,331,174**
Cash and cash equivalents	**2,758,019**
Total assets	**33,903,359**
LIABILITIES	
Lease liabilities	**21,848,444**
Employees' benefits	**606,734**
Advance form customer	**5,353,414**
Accrued expenses and other payables	**1,770,195**
Provision for Zakat	**25,237**
Total liabilities	**29,604,024**
Identifiable net assets at acquisition date*	**4,299,335**
Result of the acquisition	
Transferred consideration	**30,000,000**
Identifiable net assets	**(4,299,335)**
Student list (Note 9)	**3,492,665**
Goodwill (Note 9)	**22,208,000**

The carrying value of the assets acquired and liabilities assumed on the date of the acquisition approximates their fair value.

The goodwill arising from the acquisition of Al Khwarizmi Educational Company has been allocated as a cash-generating unit. The goodwill is mainly attributed to a group of factors, which include expected growth rates, the location of the educational complex, and the operational levels compared to other educational companies.

The Group has incurred an amount of SR 1,108,354 which represents costs of acquisition process and recharged to general and administrative expenses.

7. ACQUISITION OF SUBSIDIARIES (CONTINUED)

b) Acquisition of Al Ghad National Schools Company's shares:

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

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

From the date of the acquisition on 1 May 2020 until 31 August 2020, revenues of Al Ghad National Schools Company amounted to SR 8.3 million of the Group's revenue and net income of SR 4 million of the Group's net income. The Group's management believes that had the acquisition been from 1 September 2019, the Group's revenues and net profit would have been SR 239 million and SR 53.4 million, respectively.

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

ASSETS	**1 May 2020**
Property, plant and equipment	**1,901,723**
Right-of-use assets	**105,861,276**
Inventories	**1,160,617**
Accounts receivable	**2,140,787**
Prepayments and other receivables	**3,455,481**
Cash and cash equivalents	**223,829**
Total assets	114,743,713
LIABILITIES	
Lease liabilities on right-of-use assets	**107,242,826**
Employees' benefits	**6,531,181**
Advance form customer	**5,575,080**
Accrued expenses and other payables	**4,153,802**
Provision for Zakat	**175**
Total liabilities	**123,503,064**
Identifiable net liabilities at acquisition date*	**(8,759,351)**
Result of the acquisition	
Transferred consideration	**36,666,666**
Identifiable net liabilities	**8,759,351**
Student list (Note 9)	**7,951,017**
Goodwill (Note 9)	**37,475,000**

The carrying value of the assets acquired and liabilities assumed on the date of the acquisition approximates their fair value.

The goodwill arising from the acquisition of Al Ghad National Schools Company has been allocated as a cash-generating unit. The goodwill is mainly attributed to a combination of factors which include expected growth rates, and acceptable possibilities for improving tuition rates.

The Group has incurred an amount of SR 487,669 which represents costs of acquisition process and recharged to general and administrative expenses.

8. PROPERTY, PLANT AND EQUIPMENT

	Land *	Buildings and improvements on owned buildings	Furniture & fixture	Computers and equipment	Motor vehicles	Projects in progress	Total
Cost							
As at 1 September 2018	101,308,775	222,973,661	28,574,302	49,423,661	7,279,204	110,673,926	520,233,529
Additions during the year	--	136,716	321,773	401,432	--	62,175,877	63,035,798
Transfers	--	--	--	(891,600)	--	--	(891,600)
As at 31 August 2019	**101,308,775**	**223,110,377**	**28,896,075**	**48,933,493**	**7,279,204**	**172,849,803**	**582,377,727**
Additions as a result of acquisition (Note 7)	--	9,165,764	3,255,965	3,825,846	1,896,322	--	18,143,897
Additions during the year	--	508,650	2,011,131	2,104,742	--	69,036,294	73,660,817
Disposals during the year	--	--	--	--	(1,160,640)	--	(1,160,640)
Transfers	--	9,155,975	208,776	1,370,791	--	(10,735,542)	--
As at 31 August 2020	**--**	**241,940,766**	**34,371,947**	**56,234,872**	**8,014,886**	**231,150,555**	**673,021,801**
Accumulated depreciation							
As at 1 September 2018	--	**59,600,346**	**23,199,608**	**40,566,408**	**7,256,929**	--	**130,623,291**
Charge for the year	--	6,970,946	2,037,383	2,434,963	7,000	--	11,450,292
Disposals during the year	--	--	--	(636,239)	--	--	(636,239)
As at 31 August 2019	--	**66,571,292**	**25,236,991**	**42,365,132**	**7,263,929**	--	**141,437,344**
Charge as a result of acquisition (Note 7)	--	1,335,258	2,333,797	2,249,549	1,715,163	--	7,633,767
Charge for the year	--	4,400,436	1,394,641	2,025,610	159,469	--	7,980,156
Disposals during the year	--	--	--	--	(1,160,640)	--	(1,160,640)
As at 31 August 2020	**--**	**72,306,986**	**28,965,429**	**46,640,291**	**7,977,921**	**--**	**155,890,627**
Net carrying amount							
As at 31 August 2020	**101,308,775**	**169,633,780**	**5,406,518**	**9,594,581**	**36,965**	**231,150,555**	**517,131,174**
As at 31 August 2019	101,308,775	156,539,085	3,659,084	6,568,361	15,275	172,849,803	440,940,383

(*) Lands include mortgaged lands to the Ministry of Finance represented in the land of Mariyah Namouthajiyah Schools/ Al-Rawabi District amounting to SR 19,681,750 and the land of Mariyah Namouthajiyah Schools/ Al-Nuzha District amounted to SR 16,658,500 as at 31 August 2020. Furthermore, buildings include a mortgaged building to the Ministry of Finance represented in the branch of Tarbyah Namouthajiyah Schools/Al-Rawabi District with net carrying amount of SR 46,173,970 as at 31 August 2020 to secure loan of the Ministry of Finance (Note 13.1 & 13.2).

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Change in accounting estimates

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

Category of assets	Useful lives before amendment	Useful lives As amended
Buildings and improvements on buildings	10-33	10-66 or until end of lease term
Furniture & fixture	7-10	10
Computers and equipment	4-10	4-25
Motor vehicles	5	10

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

Description	Before amendment	After amendment
Depreciation charge	12,520,620	7,980,156
Accumulated depreciation	160,431,091	155,890,627
Net carrying amount of property, plant and equipment	512,590,710	517,131,174

Projects in progress represent the following:

	31 August 2020	31 August 2019
Al-Rayyan schools project (8.1)	**8,603,266**	8,206,365
Al-Qairawan schools project (8.2)	**130,594,038**	74,061,852
Tilal Al-Doha (Al-Tarahi formerly) schools project (8.3)	**34,121,092**	25,838,506
Buraydah scheme project (8.4)	**39,295,988**	46,231,909
Al-Qasr scheme project in Khobar (8.5)	**18,536,171**	18,511,171
	231,150,555	172,849,803

8.1 This project represents contracting works to establish schools in Al-Rayyan District to establish new classrooms which have been assigned to Aja Trading and Contracting Company (a related party - Note 32).

8.2 The project represents mainly the value of land to establish schools in Al-Qairawan District amounted to SR 44,587,500 mortgaged to a local bank provided that the release of mortgage shall be carried out subsequent to paying the last installment on 8 March 2022 (Note 13-3). As at 31 August 2020, the value of buildings contracting works was SR 86,006,538. Murabaha returns were capitalized during the year ended 31 August 2020 for Al-Qairawan project amounting to SR 82,991.

8.3 The project represents mainly the value of land to establish schools in Al-Taraji district in Dammam amounted to SR 19,750,000 purchased from Mr. Mohammed Al-Khudair (a major shareholder of the Company). The value of buildings contracting works was SR 14,371,092 as at 31 August 2020.

8.4 The project represents the value of plot of land to establish schools in Al-Rehab district in Buraydah amounted to SR 11,394,900. The value of buildings contracting works was SR 27,901,088 as at 31 August 2020.

8.5 The project represents mainly the purchase value of two plots of land in Al Qasr scheme in Khobar with a total amount of SR 18,185,377 mortgaged to a local bank provided that the release of mortgage shall be carried out subsequent to paying the last installment of the loan on 18 May 2023 (Note 13.4).

9. INTANGIBLE ASSETS AND GOODWILL

	Goodwill (*)	Student list (Note 7)	Software	Total
Cost				
At 1 September 2018	11,357,834	--	1,380,000	12,737,834
Additions during the year	--	--	55,825	55,825
At 31 August 2019	11,357,834	--	1,435,825	12,793,659
Additions during the year as a result of acquisition of subsidiaries	59,683,000	11,443,682	--	71,126,682
At 31 August 2020	**71,040,834**	**11,443,682**	**1,435,825**	**83,920,341**
Amortization:				
At 1 September 2018	--	--	606,933	606,933
Charged during the year	--	--	280,342	280,342
At 31 August 2019	--	--	887,275	887,275
Charged during the year	--	816,639	287,165	1,103,804
At 31 August 2020	**--**	**816,639**	**1,174,440**	**1,991,079**
Net book value:				
At 31 August 2020	**71,040,834**	**10,627,043**	**261,385**	**81,929,262**
At 31 August 2019	11,357,834	--	548,550	11,906,384

(*) The Goodwill has been allocated to the following Cash-generating units of the Group:

	Al-Rawabi's goodwill	Al-Khwarizmi's goodwill (Note 7)	Al Ghad's goodwill (Note 7)	Total
Cost				
At 1 September 2018	11,357,834	--	--	11,357,834
Additions during the year	--	--	--	--
At 31 August 2019	11,357,834	--	--	11,357,834
Additions during the year as a result of acquisition of subsidiaries	--	22,208,000	37,475,000	59,683,000
At 31 August 2020	**11,357,834**	**22,208,000**	**37,475,000**	**71,040,834**

The group has separately tested goodwill for impairment. The recoverable amount of the CGU as at 31 August 2020 has been determined based on the value in use calculation using cash flows projections from financial budgets covering a 5 years period. The discount rate applied to the cash flows projections was from 12% to 14% and cash flows after 5 years period were estimated using a growth rate of 2%. It was concluded that the carrying value of the goodwill has not exceeded the value in use. As a result of this analysis, no impairment losses have been recognized.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:
- Discount rate
- Terminal value growth rate

Discount rate
Discount rate represents the current market assessment of the risks specified to each cash generating unit. The calculation of the discount rate is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on return-bearing Murabaha and loans that are binding on the Group. Risk relating to sectors are incorporated.

9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Terminal value growth rate
The growth rate used does not exceed the Group's long-term average growth rate, the growth rate used is 2%.

Sensitivity to changes in assumptions
Management believes that there is no probable change in any key assumptions that may lead to a significant decrease in goodwill exceeding its recoverable value.

10. ACCOUNTS RECEIVABLE

	31 August 2020	31 August 2019
Accounts receivable	**56,299,895**	45,490,191
Less: impairment of accounts receivable balances	**(19,994,401)**	(14,483,162)
	36,305,494	31,007,029

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

	31 August 2020	31 August 2019
Balance at the beginning of the year	**14,483,162**	4,646,624
Additions as a result of acquisition of subsidiaries	**2,230,063**	--
Impact of adoption of IFRS 9 on opening balance	--	5,225,505
Provided during the year	**3,281,176**	4,611,033
	19,994,401	14,483,162

The Group provides for receivables by applying the simplified approach to assess the expected credit losses.

11. PREPAYMENTS AND OTHER RECEIVABLES

	31 August 2020	31 August 2019
Advances to suppliers	**7,057,302**	7,845,135
Prepaid expenses	**5,168,436**	2,744,647
Employees' advances and custodies	**2,217,687**	1,650,585
Value-added tax	**3,715,522**	4,066,595
Others	**1,366,227**	817,881
	19,525,174	17,124,843
Less: impairment of receivable balances	**(777,818)**	(469,156)
	18,747,356	16,655,687

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

	31 August 2020	31 August 2019
Balance at beginning of the year	**469,156**	--
Reversal of provision during this year	**(17,908)**	--
Provided during the year	**326,570**	469,156
Balance at the end of the year	**777,818**	469,156

12. CASH AND CASH EQUIVALENTS

	31 August 2020	31 August 2019
Current accounts with banks	**47,519,296**	40,045,569
Short-term Islamic Murabaha	**60,000,000**	200,000,000
	107,519,296	240,045,569

13. ISLAMIC MURABAHA AND LOANS OF MINISTRY OF FINANCE

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

Loans from the Ministry of that are finance interests free

13.1 Loan from the Ministry of Finance under loan contract no. 42 to finance the establishment of an educational compound on 1 March 2009 corresponding to 4 Rabi I 1430H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Rawabi District (previously Al Hadara School in Riyadh). The payment must be in ten annually equal installments. The first installment would start after four years from the date of contract. This loan does not carry any finance interests (Note 14). Eight installments of SR 20 million have been paid. At 31 August 2020, the balance of the loan amounted to 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 for the benefit of the Ministry of Finance (Note 8).

13.2 Loan from the Ministry of Finance under loan contract no. 49 to finance the establishment of an educational compound on 5 January 2010 corresponding to 19 Muharram 1431H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Nuzha District. The amount has been received in installments amounting to SR 25,000,000 provided that the payment must be in ten annually equal installments. The first installment would start after four years from the date of contract. This loan does not carry any finance interests (Note 14). Seven installments of SR 17.5 million have been paid. At 31 August 2020, the balance of the loan amounted to SR 7.5 million. This loan is secured by mortgaging title deed and ownership of real estate for the benefit of the Ministry of Finance. (Note 8)

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

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

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

Total loans at end of the year	**12,500,000**	17,500,000
Less: deferred finance charges		
Balance at beginning of the year	**(1,993,285)**	(3,233,122)
Finance charges for the year	**1,194,764**	1,239,837
Balance at the end of the year	**(798,521)**	(1,993,285)
Current value of loans at end of the year	**11,701,479**	15,506,715

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

Islamic Murabaha from commercial banks

13.3 Murabaha from a commercial bank to finance purchasing a plot of land in Al-Qairawan district in Riyadh on 7 March 2016 corresponding to 27 Jumada I 1437H. Murabaha has been obtained amounting to SR 40,697,967 including returns of SR 9,721,973 at a profit return rate of 7.5% provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 4,069,797 each. The first installment was repaid on 10 September 2017. Murabaha has been obtained through mortgaging this land in the name of a subsidiary of the said bank as a collateral, provided that release of mortgage shall be carried out subsequent to paying the last installment on 8 March 2022 (Note 8.2). At 31 August 2020, the balance of Murabaha amounted to SR 16,279,186.

13.4 Murabaha from a commercial bank to finance purchasing a plot of land in Khobar on 18 May 2017 corresponding to 21 Sha'ban 1438H. Murabaha has been obtained amounting to SR 16,975,695 including returns of SR 4,341,174 at profit return rate of 8.25% to purchase two plots of land to build schools in Khobar provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 1,626,808 each. The first installment was repaid on 18 November 2018. Murabaha has been obtained by mortgaging these lands in the name of a subsidiary of the said bank provided that the release of mortgage shall be carried out subsequent to the repayment of the last installment on 18 May 2023. Note (8.5). At 31 August 2020, the balance of Murabaha amounted to SR11,387,656.

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

At 31 August 2020, the balance of Murabaha amounted to SR 1,166,586.

	31 August 2020	31 August 2019
Balance at beginning of the year	**38,651,328**	50,096,036
Paid during the year	**(9,817,900)**	(11,444,708)
Balance at the end of the year	**28,833,428**	38,651,328

The current value of Islamic Murabaha granted by commercial banks is as follows:	**31 August 2020**	31 August 2019
Total Islamic Murabaha at the end of the year	**28,833,428**	38,651,328
Less: deferred finance charges		
Balance at beginning of the year	**(4,315,068)**	(7,134,644)
Finance charges for the year	**1,943,682**	2,819,576
Balance at the end of the year	**(2,371,386)**	(4,315,068)
Present value of Islamic Murabaha at the end of the year	**26,462,042**	34,336,260

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

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

	31 August 2020	31 August 2019
Balance at the beginning of the year	**56,151,328**	72,596,036
Withdrawals during the year	**--**	--
Paid during the year	**(14,817,900)**	(16,444,708)
Balance at the end of the year	**41,333,428**	56,151,328
<u>Less:</u> deferred finance charges		
Balance at the beginning of the year	**(6,308,353)**	(10,367,766)
Provided during the year	**--**	--
Finance costs during the year	**3,138,446**	4,059,413
Balance at the end of the year	**(3,169,907)**	(6,308,353)
Present value of Islamic Murabaha and loans of Ministry of Finance at end of the year	**38,163,521**	49,842,975
Current portion of Islamic Murabaha and Ministry of Finance loans	**13,253,334**	15,409,058
Non-current portion of Islamic Murabaha and Ministry of Finance loans	**24,910,187**	34,433,917
Present value of Islamic Murabaha and loans of Ministry of Finance at end of the year	**38,163,521**	49,842,975

14. DEFERRED GOVERNMENT GRANTS INCOME

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 company (Note 13.1 and 13.2).

	31 August 2020	31 August 2019
Balance at the beginning of the year	**1,993,285**	3,233,122
Amortizations during the year	**(1,194,764)**	(1,239,837)
Deferred revenue of government grants at the end of the year	**798,521**	1,993,285
Current portion of deferred revenue of government grants	**602,665**	1,035,650
Non-current portion of deferred revenue of government grants	**195,856**	957,635
Deferred revenue of government grants at the end of the year	**798,521**	1,993,285

15. ADVANCE FORM CUSTOMER

Advance form customer represents tuition fees received in advance for the academic year 2020 - 2021.

16. ACCRUED EXPENSES AND OTHER PAYABLES

	31 August 2020	31 August 2019
Expenses accruals	**5,668,437**	3,193,970
Retentions	**5,434,484**	2,929,277
Refundable security deposit	**52,815**	34,015
Others	**1,603,696**	963,015
	12,759,432	7,120,277

17. PROVISION FOR ZAKAT

a) Zakat status
The Group and its subsidiaries filed their Zakat returns separately to the General Authority of Zakat and Income Tax ('GAZT') based on the financial statements of each company up to and including the year ended 31 August 2019. The Company and its subsidiaries obtained the Zakat certificate for all past years and paid Zakat payable accordingly.

b) The Group is subject to zakat according to the regulations of the General Authority of Zakat Tax (GAZT) in the Kingdom of Saudi Arabia. National Company for Learning and Education has finalized its Zakat status and obtained final Zakat assessments for the years up to the financial year ended 31 August 2019. Zakat has been calculated for the year ended 31 August 2020 based on Zakat base comprising of the following significant components:

c)

	31 August 2020	31 August 2019
Income for the year before Zakat	**62,512,048**	52,256,024
Adjustments on net income for the year	**7,049,474**	11,230,930
Adjusted net income for the year	**69,561,522**	63,486,954
Paid-up capital	**430,000,000**	300,000,000
Share premium	**100,985,697**	--
Statutory reserve	**23,268,013**	18,228,764
Retained earnings	**51,284,897**	19,282,660
Carried forward provisions	**60,939,597**	50,055,521
Financing to purchase projects in progress	**--**	40,477,258
Net leased liability and right of use asset	**229,630**	--
Adjusted to the Zakat base	**(2,147,340)**	--
Property, plant and equipment	**(517,131,174)**	(440,940,383)
Intangible assets and good will	**(70,022,878)**	(11,906,384)
Islamic Murabaha and loans of Ministry of Finance	**38,962,042**	56,151,328
Income paid during the year	**(34,400,000)**	(17,200,000)
Prepaid expenses to purchase property and equipment	**(4,595,436)**	(3,094,204)
Total	**146,934,570**	74,541,514
Zakat base	**146,934,570**	74,541,514
Zakat payable @ 2.5%	**3,673,364**	1,863,538

Movement in Zakat provision is as follows:

	31 August 2020	31 August 2019
Balance at the beginning of the year	**1,863,538**	1,549,433
Additions during the year a result of acquisition of subsidiaries	**25,412**	--
Provided during the year	**3,673,364**	1,863,538
Differences in Zakat examination (*)	**1,148,216**	--
Paid during the year	**(1,755,661)**	(1,549,433)
Provision no longer required	**(107,877)**	--
	4,846,992	1,863,538

(*) On 19 August 2020, the General Authority for Zakat and Income ('GAZT") examined the Zakat returns filed by the National Company for Learning and Education for the years from 2015 to 2019.
GAZT has issued a Zakat assessment that resulted in Zakat differences of SR 1,148,216. In the period subsequent to the date of the financial statements, the Group has fully paid the value.

The Group is also filed an objection to some of the Zakat assessment items.

18. EMPLOYEES' BENEFITS

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. These benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws and regulations of Saudi Arabia.

The following table summarizes the components of net benefit expenses recognized in the statement of profit or loss and statement of comprehensive income in addition to the amounts included in consolidated the statements of financial position.

Net expense recognized in consolidated statement of profit or loss:

	31 August 2020	31 August 2019
Service cost	**3,214,636**	4,220,308
Interest cost	**1,970,360**	1,683,000
	5,184,996	5,903,308

Provision for employees' end of service benefits recognized in the statement of financial position:

	31 August 2020	31 August 2019
Balance at the beginning of the year	**42,237,700**	44,870,000
Additions during the year a result of acquisition of subsidiaries	**7,137,915**	--
Current service cost	**3,214,636**	4,220,308
Interest cost	**1,970,360**	1,683,000
	5,184, 996	5,903,308
Paid during the year	**(5,865,832)**	(4,686,608)
Actuarial losses/gains recognized in the statement of comprehensive income	**4,083,221**	(3,849,000)
	52,778,000	42,237,700

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

	31 August 2020	31 August 2019
Discount rate	**3.10%**	3.60٪
Future salary increase rate	**2%**	2٪

Change in an actuarial assumption with all other assumptions held constant could affect the provision for employees' end of service benefits in the following amounts:

	31 August 2020		31 August 2019	
	Increase (1%)	Decrease (1%)	Increase (1%)	Decrease (1%)
Discount rate	**43,498,000**	**49,751,000**	39,567,000	45,380,000
Future salary increase rate	**49,755,000**	**43,444,000**	45,399,000	39,504,000

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.

19. 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 code (4291). The Company's share capital has increased after the completion of the IPO and the increase of share capital was from SR 300 million (divided into 30 million shares) to 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 were reduced by SR 16 million from the share premium, so the share premium balance became SR 100.98 million.

20. SHARE PREMIUM

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

21. STATUTORY RESERVE

In accordance with the Company'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 the share capital.

This reserve is not available for distributions to the shareholders.

22. REVENUE

	For the year ended	
	31 August 2020	31 August 2019
Tuition fees	**214,735,189**	193,337,312
Student transportation fees	**2,674,437**	2,621,750
Sport club revenue	**431,012**	1,983,724
	217,840,638	197,942,786

23. GOVERNMENT GRANTS AND SUBSIDIES

	For the year ended	
	31 August 2020	31 August 2019
HRDF grant "Hadaf"	**5,410,650**	7,455,000
Revenue from government subsidies for education	**828,381**	701,097
Realized revenue from government grants (Note 14)	**1,194,764**	1,239,837
	7,433,795	9,395,934

24. COST OF REVENUE

	For the year ended 31 August 2020	31 August 2019
Salaries, wages and other employee benefits	**88,351,941**	85,094,957
Amortization and depreciation	**7,350,828**	10,946,435
Depreciation of right-of-use assets	**1,592,802**	--
Printings, tools and consumables	**5,825,638**	5,292,737
Medical insurance	**5,021,172**	6,893,766
Water, electricity and communications	**2,693,760**	3,136,850
Government charges	**5,596,551**	3,326,392
Maintenance and fuel	**1,592,904**	1,663,438
Hospitality and activities	**1,431,640**	1,939,967
Others	**584,487**	1,716,210
	120,041,723	120,010,752

25. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 August 2020	31 August 2019
Salaries, wages and other employee benefits	**23,731,383**	21,955,083
Training and consulting	**2,613,704**	1,246,366
Bank commissions	**1,006,151**	1,563,873
Maintenance and fuel	**1,086,792**	1,150,220
Government charges	**1,086,994**	1,025,476
Amortization and depreciation	**916,493**	784,199
Amortization of students list	**816,639**	--
Water, electricity and communications	**508,837**	466,645
Printings, tools and consumables	**675,185**	430,654
Medical insurance	**876,880**	263,519
Hospitality and activities	**213,181**	214,898
Others	**1,852,318**	2,755,292
	35,384,557	31,856,225

26. OTHER INCOME

	For the year ended 31 August 2020	31 August 2019
Rent for food canteens	**849,637**	1,660,316
Other miscellaneous income	**219,684**	3,195,347
	1,069,321	4,855,663

27. FINANCE COSTS, NET

	For the year ended 31 August 2020	31 August 2019
Finance costs for Islamic Murabaha and loans of Ministry of Finance	**1,860,691**	2,748,019
Finance costs for government grants	**1,194,764**	1,239,837
Interest cost of end of service benefits	**1,970,360**	1,683,000
Short-term Islamic Murabaha returns	**(2,163,158)**	(3,928,599)
Interest on lease liabilities	**847,388**	--
	3,710,045	1,742,257

28. 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 August 2020	31 August 2019
Net income for the year	**57,798,345**	50,392,486
Weighted average number of shares (*)	**43,000,000**	40,221,918
	1.34	1.25

(*) The weighted average calculated for number of shares includes the effect of cash increase in capital resulting from the IPO as at 31 August 2019.

29. FINANCIAL ASSETS AND LIABILITIES

29.1 Financial asset

	31 August 2020	31 August 2019
Financial assets at amortized cost:		
Accounts receivable	**36,305,494**	31,007,029
Prepayments and other receivables	**18,747,356**	16,655,687
Cash and cash equivalents	**107,519,296**	240,045,569
Total financial assets at amortized cost	**162,572,146**	287,708,285

29.2 Financial liabilities

	31 August 2020	31 August 2019
Financial liabilities at amortized cost:		
Islamic Murabaha and loans of Ministry of Finance	**38,163,521**	49,842,975
Lease liabilities on right-of-use assets	**72,692,223**	--
Accounts payable	**1,534,525**	1,300,645
Accrued expenses and other payables	**12,759,432**	7,120,277
Total financial liabilities at amortized cost	**125,149,701**	58,263,897
Current portion of financial liabilities	**31,936,568**	23,829,980
Non-current portion of financial liabilities	**93,213,133**	34,433,917
Total financial liabilities	**125,149,701**	58,263,897

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

30. COMMITMENTS

	31 August 2020	31 August 2019
Contractual commitments for suppliers	**534,885**	951,645
Capital commitments - projects in progress	**21,501,193**	79,651,300
	22,036,078	80,602,945

Capital commitments are related to Al-Rayyan project for the construction of new classrooms (Note 7.1) and Al-Qairawan, Buraydah and Tilal Al-Doha (Al-Tarahi formerly) projects for the construction of school complexes (Note 7.2, 7.3 & 7.4).

31. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Group is exposed to the following risks arising from 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.

a) 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. Most 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
Fair value and cash flow interest rate risks are the exposures to various risk associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group is exposed mainly to interest rate risk as a result of Murabaha from commercial banks. The Group manages its financing through optimizing available cash and minimizing borrowings.

The possible reasonable change of 100 bps of interest rates at the reporting date would have resulted in an increase (decrease) of equity and profit or loss of SR 264,620.

b) 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, accounts receivables and other receivables.

The carrying amount of financial assets represents the maximum credit risk.

Cash and cash equivalents
cash and cash equivalents are held with banks with good 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.

31. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Credit risk (continued)

Accounts receivable (continued)
The Group provides for receivables by applying the simplified approach to assess the expected credit losses. The provision of accounts receivable amounted to SR 19.99 million (31 August 2019: SR 14.4 million). The following table shows aging of the accounts receivable:

	31 August 2020	31 August 2019
Balances less than 1 year	**30,410,822**	25,969,817
Balances more than one year and less than two years	**11,199,545**	9,125,938
Balances more than 2 years and less than 3 years	**5,409,166**	5,071,043
Balances more than 3 years	**9,280,362**	5,323,393
Total	**56,299,895**	45,490,191
Impairment of accounts receivable balances	**(19,994,401)**	(14,483,162)
Net accounts receivable	**36,305,494**	31,007,029

c) 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, relating to its financing agreements.

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

	Less than 1 year	1-5 years	Above 5 years	Total contractual cash flows	Carrying value
As at 31 August 2020					
Islamic Murabaha and loans of Ministry of Finance	**13,855,999**	**27,477,429**	**--**	**41,333,428**	**38,163,521**
Accounts payable	**1,534,525**	**--**	**--**	**1,534,525**	**1,534,525**
Accrued expenses and other payables	**12,759,432**	**--**	**--**	**12,759,432**	**12,759,432**
	28,149,956	**27,477,429**	**--**	**55,627,385**	**52,457,478**
As at 31 August 2019					
Islamic Murabaha and loans of Ministry of Finance	16,444,708	39,706,620	--	56,151,328	49,842,975
Accounts payable	1,300,645	--	--	1,300,645	1,300,645
Accrued expenses and other payables	7,120,277	--	--	7,120,277	7,120,277
	24,865,630	39,706,620	--	64,572,250	58,263,897

31. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying consolidated financial statements are prepared under the historical cost method, differences may arise between the carrying values and the fair value estimates. Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

e) Capital management

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 Murabaha less cash and cash equivalents.

The Group's net debt to equity ratio at the end of the year are as follows:

	31 August 2020	31 August 2019
Islamic Murabaha and loans of Ministry of Finance	**38,163,521**	49,842,975
Less: cash and cash equivalents	**(107,519,296)**	(240,045,569)
Net debt	**(69,355,775)**	(190,202,594)
Total equity	**624,853,731**	605,538,607
Net debt to equity ratio	**(11٪)**	(31%)

32. RELATED PARTIES

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

	Nature of transaction	**31 August 2020**	31 August 2019
Aja Trading and Contracting Company – affiliate	Contracting revenue	**8,530,878**	7,064,739
Revan Company – Affiliate	Man power and supervision on projects in progress	**7,360,519**	7,337,260
Specialized Buildings Company – an affiliate	Consulting and supervision on projects in progress	**877,163**	--
Yamami Holding Company	Buildings rental	**875,000**	--

	31 August 2020	31 August 2019
Due from related parties (within prepayments and other receivables)		
Aja Trading and Contracting Company	**167,533**	196,956
	167,533	196,956
Due to related parties (within accrued expenses and other payables)		
Aaj Investment Company	**104,002**	104,002
Revan operation and Maintenance Company	**438,989**	700,961
Yamami Holding Company	**750,000**	--
	1,292,991	804,963

Key management compensation

	31 August 2020	31 August 2019
Salaries and other short-term benefits	**3,438,773**	3,874,200
	3,438,773	3,874,200

33. SEGMENT REPORTING

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

- The Group's activities are related to the following main business segments:
  - ☐ Al-Rayyan schools
  - ☐ Al-Rawabi schools
  - ☐ Al-Nuzha schools
  - ☐ Qurtubah schools
  - ☐ Buraydah schools
  - ☐ Al Khwarizmi Educational Schools
  - ☐ Al Ghad National Schools

As at and for the year ended 31 August 2020

	Al-Rayyan Schools	**Al-Rawabi Schools**	**Al-Nuzha Schools**	**Qurtubah schools**	**Buraydah schools (*)**	**Al Khwarizmi Educational Schools**	**Al Ghad National Schools**	**Projects in progress**	**Total**
Revenue	**62,843,304**	**71,847,640**	**55,009,094**	**6,265,168**	**1,892,000**	**11,693,848**	**8,289,584**	**--**	**217,840,638**
Government grants and subsidies	**1,805,253**	**2,405,019**	**2,505,460**	**309,082**	**154,581**	**135,200**	**119,200**	**--**	**7,433,795**
Cost of revenue	**(35,767,769)**	**(42,903,537)**	**(26,979,161)**	**(4,728,364)**	**(1,907,331)**	**(4,573,868)**	**(3,181,693)**	**--**	**(120,041,723)**
Gross profit	**28,880,788**	**31,349,122**	**30,535,393**	**1,845,886**	**139,250**	**7,255,180**	**5,227,091**	**--**	**105,232,710**
Property, plant and equipment	**83,406,216**	**68,566,161**	**79,716,315**	**32,845,343**	**11,483,744**	**8,187,490**	**1,775,350**	**231,150,555**	**517,131,174**
Depreciation	**1,549,750**	**1,901,214**	**2,826,715**	**715,170**	**426,668**	**434,266**	**126,373**	**--**	**7,980,156**

As at and for the year ended 31 August 2019

	Al-Rayyan schools	Al-Rawabi schools	Al-Nuzha schools	Qurtubah schools	Buraydah schools (*)	Al Khwarizmi Educational Schools	Projects in progress	Total
Revenue	67,141,490	71,643,714	56,065,773	3,091,809	--	--	--	197,942,786
Government grants and subsidies	2,368,936	2,916,007	3,742,674	368,317	--	--	--	9,395,934
Cost of revenue	(41,630,050)	(43,542,943)	(31,530,585)	(3,307,174)	--	--	--	(120,010,752)
Gross profit	27,880,376	31,016,778	28,277,862	152,952	--	--	--	87,327,968
Property, plant and equipment	83,140,033	69,795,550	82,214,660	32,940,337	--	--	172,849,803	440,940,383
Depreciation	2,688,907	3,099,981	4,445,983	1,215,421	--	--	--	11,450,292

Due to the nature of the Group's activity and management style, it is not practical to allocate the remaining assets and liabilities of the Group according to different sectors.
(*) Buraydah schools realizes a low gross profit as it is the first year of operation.

33. SEGMENT REPORTING (CONTINUED)

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

	31 August 2020	31 August 2019
Gross profit from sectors	**105,232,710**	87,327,968
Marketing and advertising expenses	**(1,414,205)**	(1,718,092)
General and administrative expenses	**(35,384,557)**	(31,856,225)
Other income	**1,069,321**	4,855,663
Impairment losses of account receivables	**(3,281,176)**	(4,611,033)
Finance costs, net	**(3,710,045)**	(1,742,257)
Total unallocated amount	**(42,720,662)**	(35,071,944)
Income before Zakat	**62,512,048**	52,256,024

34. DIVIDENDS

The Ordinary General Assembly held on 25 December 2019 approved the distribution of dividends to shareholders for the year ended 31 August 2019 amounted to SR 34.4 million at SR 0.80 per share (31 August 2018: SR 17.2 million at SR 0.40 per share).

35. MATERIAL EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the globe including the Kingdom of Saudi Arabia, causing disruptions to businesses and economic activity. It is still uncertain to determine the size and extent of these effects, depending on future developments that cannot be accurately predicted at the present time, such as the rate of transmission of the virus, the size and effectiveness of the measures taken with a view to containing it.

In conjunction with the Ministry of Education's announcement of remote education for the first semester of the year 2020/2021, and out of the Group's keenness on the participation of parents in bearing the burdens resulting from the outbreak of the Covid-19 pandemic, in appreciation of the Group's clients, and to preserve the student base in the educational complexes of the Group in a way that serves achieving the Group's long-term growth targets, the Group has provided discounts in various educational stages starting from 50% for kindergarten and grade 1, in addition to discounts of 20% to 25% for the remaining educational grades and stages, from the tuition fees for the first semester of the academic year 2020-2021.

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

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved for and authorized for issuance by the Board of Directors on 7 Rabi' II 1442H (corresponding to 22 November 2020).