

**NATIONAL COMPANY FOR LEARNING
AND EDUCATION
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Financial Statements (unaudited)
For the three and nine-months period ended
At 31 May 2022
together with the
Independent Auditor's Report
on review of the condensed consolidated interim financial statements**

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and nine-months period ended
At 31 May 2022

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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

To the shareholders of National Company for Learning and Education

Introduction

We have reviewed the accompanying 31 May 2022 condensed consolidated interim financial statements of **National Company for Learning and Education ("the Company")** and its subsidiaries ("**the Group**"), which comprises:

- the condensed consolidated statement of financial position as at 31 May 2022;
- the condensed consolidated statement of profit or loss for the three-month period and nine-month periods ended 31 May 2022;
- the condensed consolidated statement of comprehensive income for the three-month period and nine-month periods ended 31 May 2022;
- the condensed consolidated statement of changes in shareholders' equity for the nine-month periods ended 31 May 2022;
- the condensed consolidated statement of cash flows for the nine-month periods ended 31 May 2022; and
- the notes to the condensed consolidated interim financial statements.

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


Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements 31 May 2022 of National Company for Learning and Education ("**the Company**") and its subsidiaries ("**the Group**") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services


Fahad Mubark Al Dossari
License No. 469

Al Riyadh: 5 Dhu al-Hijjah 1443H
Corresponding to: 4 July 2022



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، السمة سابقاً "شركة كي بي إم جي للفرزات وشركاء محاسبين ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 May 2022
(Amounts in Saudi Riyals)

	Note	31 May 2022 (Unaudited)	31 August 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	555,286,877	518,770,289
Intangible assets and goodwill		80,532,051	81,237,086
Right-of-use assets	5	129,553,617	66,034,708
Total non-current assets		765,372,545	666,042,083
Current assets			
Inventory		4,222,160	3,618,733
Accounts receivable		38,523,583	19,373,208
Prepayments and other receivables		41,366,268	34,087,022
Cash and cash equivalents		68,833,113	137,499,269
Total current assets		152,945,124	194,578,232
Total assets		918,317,669	860,620,315
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	9	430,000,000	430,000,000
Share premium		100,985,697	100,985,697
Statutory reserve		31,493,599	31,493,599
Retained earnings		73,195,120	52,519,345
Total shareholders equity		635,674,416	614,998,641
Non-current liabilities			
Non-current portion of Islamic Murabaha and Ministry of Finance loans	6.7	10,623,262	16,032,162
Employees' benefits		52,039,456	53,774,000
Non-current portion of lease liability on right-of-use assets	5	125,367,760	62,605,356
Total non-current liabilities		188,030,478	132,411,518
Current liabilities			
Current portion of Islamic Murabaha and Ministry of Finance loans	6.7	14,087,942	18,917,801
Advances from customers	7	56,071,998	76,524,261
Accounts payable		1,763,642	164,990
Current portion of lease liability on right-of-use assets	5	10,937,946	5,697,592
Current portion of deferred revenue of government grants	6.3	38,585	208,725
Accrued expenses and other payables		8,580,627	7,677,104
Provision for Zakat		3,132,035	4,019,683
Total current liabilities		94,612,775	113,210,156
Total liabilities		282,643,253	245,621,674
Total shareholders equity and liabilities		918,317,669	860,620,315

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





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)
For the three and nine-months period ended 31 May 2022
(Amounts in Saudi Riyals)

		For the three-month period ended		For the nine-month period ended	
	Note	31 May 2022	31 May 2021	31 May 2022	31 May 2021
Revenue		79,163,373	45,404,872	229,207,036	130,366,583
Government grants and subsidies		2,884,410	3,442,427	4,508,984	9,529,226
Cost of revenue		(50,060,604)	(30,330,889)	(141,550,505)	(90,956,360)
Gross profit		31,987,179	18,516,410	92,165,515	48,939,449
Marketing and advertising expenses		(614,035)	(207,966)	(996,531)	(1,204,910)
General and administrative expenses		(10,775,288)	(7,340,593)	(30,461,666)	(24,715,009)
Other income		257,531	143,987	1,176,509	1,129,332
Operating profit		20,855,387	11,111,838	61,883,827	24,148,862
Finance cost, net	13	(1,488,267)	(1,133,641)	(4,522,462)	(4,157,473)
Net profit for the period before Zakat		19,367,120	9,978,197	57,361,365	19,991,389
Zakat		(807,500)	(832,500)	(2,492,500)	(2,493,100)
Net profit for the period		18,559,620	9,145,697	54,868,865	17,498,289
Earnings per share:					
Basic and diluted earnings per share	14	0.43	0.21	1.28	0.41

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





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
For the three and nine-months period ended 31 May 2022
(Amounts in Saudi Riyals)

	For the three-month period ended		For the nine-month period ended	
	31 May 2022	31 May 2021	31 May 2022	31 May 2021
Net profit for the period	18,559,620	9,145,697	54,868,865	17,498,289
<u>Other comprehensive income</u>				
<u>Items that will not be reclassified subsequently to profit or loss</u>				
Actuarial gains / (losses) on re-measurement of employees' end of services benefits	2,043,723	1,266,128	206,910	(119,802)
Total items that will not be reclassified to profit or loss in subsequent periods	2,043,723	1,266,128	206,910	(119,802)
Total other comprehensive income / (loss) for the period	2,043,723	1,266,128	206,910	(119,802)
Total comprehensive income for the period	20,603,343	10,411,825	55,075,775	17,378,487

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





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
(UNAUDITED)

For the nine-months period ended 31 May 2022

(Amounts in Saudi Riyals)

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total shareholders equity</u>
Balance as at 1 September 2020 (Audited)	430,000,000	100,985,697	29,047,848	64,820,186	624,853,731
Net profit for the period	--	--	--	17,498,289	17,498,289
Other comprehensive loss for the period	--	--	--	(119,802)	(119,802)
Total comprehensive income for the period	--	--	--	17,378,487	17,378,487
Dividends (Note 15)	--	--	--	(34,400,000)	(34,400,000)
Balance as at 31 May 2021 (unaudited)	<u>430,000,000</u>	<u>100,985,697</u>	<u>29,047,848</u>	<u>47,798,673</u>	<u>607,832,218</u>
Balance as at 1 September 2021 (Audited)	430,000,000	100,985,697	31,493,599	52,519,345	614,998,641
Net profit for the period	--	--	--	54,868,865	54,868,865
Other comprehensive income for the period	--	--	--	206,910	206,910
Total comprehensive income for the period	--	--	--	55,075,775	55,075,775
Dividends (Note 15)	--	--	--	(34,400,000)	(34,400,000)
Balance as at 31 May 2022 (unaudited)	<u>430,000,000</u>	<u>100,985,697</u>	<u>31,493,599</u>	<u>73,195,120</u>	<u>635,674,416</u>

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





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
For the nine-months period ended 31 May 2022
(Amounts in Saudi Riyals)

	<u>31 May 2022</u>	<u>31 May 2021</u>
Cash flows from operating activities		
Net profit for the period before Zakat	57,361,365	19,991,389
Adjustments for:		
Amortization and depreciation	19,774,694	11,879,162
Employees' benefits	4,200,900	4,203,407
Realized revenue from government grants	(170,140)	(422,136)
Return on short-term Islamic Murabaha	(384,419)	(297,888)
Finance costs	4,906,881	4,455,361
Reverse of impairment prepayments and other receivables	(578,731)	--
	<u>85,110,550</u>	<u>39,809,295</u>
Changes in operating assets and liabilities		
Accounts receivable	(19,150,375)	14,416,670
Inventory	(603,427)	167,677
Prepayments and other receivables	(6,700,515)	(922,020)
Accounts payable	1,598,652	(1,225,101)
Accrued expenses and other payables	903,523	(4,646,019)
Advances from customers	(20,452,263)	14,827,999
Employees' benefits paid	(6,799,534)	(4,780,068)
Zakat paid	(3,380,148)	(4,879,506)
Net cash flows generated from operating activities	<u>30,526,463</u>	<u>52,768,927</u>
Cash flows from investing activities		
Additions to property and equipment and projects in progress	(44,566,875)	(7,302,457)
Additions to intangible assets	(646,900)	--
Proceeds from return on short-term Islamic Murabaha	384,419	297,888
Net payment for the acquisition of subsidiary	--	(857,027)
Net cash flows used in investing activities	<u>(44,829,356)</u>	<u>(7,861,596)</u>
Cash flows from financing activities		
Repayment of leases liabilities on right-of-use assets	(9,150,000)	(1,000,000)
Repayment of Islamic Murabaha and Ministry of Finance loans	(10,813,263)	--
Dividend paid	(34,400,000)	(34,400,000)
Net cash flows used in financing activities	<u>(54,363,263)</u>	<u>(35,400,000)</u>
Net change in cash and cash equivalents	<u>(68,666,156)</u>	<u>9,507,331</u>
Cash and cash equivalents at beginning of the period	<u>137,499,269</u>	<u>107,519,296</u>
Cash and cash equivalents at end of the period	<u><u>68,833,113</u></u>	<u><u>117,026,627</u></u>
<u>Non-cash transactions during the period</u>		
Actuarial gains / (losses) on re-measurement of employees' benefits	206,910	(119,802)
Capitalized return on capital on progress	44,445	43,948
Transfer from project under progress	104,302,640	43,023,448
Right-of-use assets	73,846,936	--
Lease Liability on right-of-use assets	73,846,936	--

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





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
For the nine-months period ended 31 May 2022

1. ORGANIZATION AND ACTIVITIES

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

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

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

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

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

Branch of Tarbyah Namouthajiyah Schools/Qurtubah district registered under CR no. 1010466961 dated 5 Rabi II 1438H corresponding to 3 January 2017.

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

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

Al Ghad National Schools Company registered under CR no. 1010168956 dated 20 Jumada II 1422H corresponding to 9 September 2001.

Branch of Tarbyah Namouthajiyah Schools/Qairwan District registered under CR no. 1010644469 dated 1 Dhul Hijah 1441H corresponding to 22 July 2020.

Branch of Tarbyah Namouthajiyah Schools/Telal Al Doha- Daharn District registered under CR no. 2050138947 dated 9 Rabi I 1442H corresponding to 26 October 2020.

Branch of Tarbyah International Schools/Rayan District registered under CR no. 1010644470 dated 1 Dhul Hijah 1441H corresponding to 22 July 2020.

Branch of Tarbyah International Schools/Al-Nuzha District registered under CR no. 1010727959 dated 28 Dhul Qaida 1442H corresponding to 8 July 2021.

Branch of Tarbyah Sports/Rayan District registered under CR no. 1010664733 dated 10 Rabi I 1442H corresponding to 27 October 2020.

Branch of Tarbyah Sports/Rawabi District registered under CR no. 1010664732 dated 10 Rabi I 1442H corresponding to 27 October 2020.

Branch of Tarbyah Sports/Al-Nuzha District registered under CR no. 1010665999 dated 12 Rabi I 1442H corresponding to 29 October 2020.

Refan Operation and Maintenance Company registered under CR no. 1010405386 dated 20 Rabi II 1435H corresponding to 20 February 2014.

Branch of Tarbyah Namouthajiyah Schools / Alaridh District registered under CR no. 1010741207 dated 5 Safar 1443 H corresponding to 12 September 2021.

Branch of Tarbyah Namouthajiyah Schools / Alaridh District registered under CR no. 1010738751 dated 24 Muharram 1443 H corresponding to 1 September 2021.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
For the nine-months period ended 31 May 2022

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

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

<u>Subsidiary Company</u>	<u>Country of incorporation</u>	<u>Ownership %</u>	
		<u>31 May 2022</u>	<u>31 August 2021</u>
Al Khwarizmi Educational Company	Kingdom of Saudi Arabia	100	100
Al Ghad National Schools Company	Kingdom of Saudi Arabia	100	100
Refan Operation and Maintenance Company	Kingdom of Saudi Arabia	100	100

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

2. BASIS OF PREPARATION

Statement of compliance

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

These condensed consolidated interim financial statements should be read in conjunction with the Group's financial statements for the year ended 31 August 2021. These condensed consolidated interim financial statements do not include all the required information to prepare a full set of financial statements in accordance with IFRS; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the previous year consolidated financial statements.

Basis of measurement

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

Functional and presentation currency

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
For the nine-months period ended 31 May 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1- Basis of consolidation

1. Business combinations

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

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

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

2. Subsidiaries

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

3. Non-controlling interests ("NCI")

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

4. Loss of control

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

2- Fair value measurement

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

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

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

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

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
For the nine-months period ended 31 May 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2- Fair value measurement (continued)

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

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

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

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

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

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

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

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

3- Revenue recognition

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

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
For the nine-months period ended 31 May 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3- Revenue recognition (continued)

Identify the contract with customer

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

Identify the performance obligations

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

Determine the transaction price

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

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

Allocation of transaction price

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

Recognition of revenue

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

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

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

Education services

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

Other operating income

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

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

Impairment of financial assets

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

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

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

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

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

Measurement of ECLs

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

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

Impaired financial assets

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

Presentation of impairment

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

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

Financial liabilities

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

Disposal

Financial assets

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

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

Financial liabilities

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

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

5- Share premium

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

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4. PROPERTY AND EQUIPMENT

	Land (*)	Buildings and improvements on buildings	Furniture and fixture	Computers and equipment	Motor vehicles	Projects in progress (**)	Total
Cost							
As at 1 September 2021	101,308,775	241,940,766	34,371,947	56,234,872	8,014,886	231,150,555	673,021,801
Additions as a result of acquisition	--	--	12,926	11,325	--	--	24,251
Additions during the year	--	193,165	2,946,065	1,413,976	--	4,563,769	9,116,975
Transfer from projects in progress	11,394,900	25,473,315	1,361,954	4,793,279	--	(43,023,448)	--
As at 31 August 2021	112,703,675	267,607,246	38,692,892	62,453,452	8,014,886	192,690,876	682,163,027
Additions during the period	--	1,294,282	10,314,879	8,224,346	1,847,222	22,930,591	44,611,320
Transfer from projects in progress	44,587,500	48,345,277	2,890,486	8,479,377	--	(104,302,640)	--
As at 31 May 2022	157,291,175	317,246,805	51,898,257	79,157,175	9,862,108	111,318,827	726,774,347
Accumulated depreciation							
As at 1 September 2021	--	72,306,986	28,965,429	46,640,291	7,977,921	--	155,890,627
Adjusting	--	99,989	--	40,012	(140,001)	--	--
Charge as a result of acquisition	--	--	2,168	9,383	--	--	11,551
Charge for the year	--	4,011,813	1,358,230	2,096,976	23,541	--	7,490,560
As at 31 August 2021	--	76,418,788	30,325,827	48,786,662	7,861,461	--	163,392,738
Charge for the period	--	3,608,918	1,761,753	2,572,114	151,947	--	8,094,732
As at 31 May 2022	--	80,027,706	32,087,580	51,358,776	8,013,408	--	171,487,470
Net book value							
As at 31 May 2022	157,291,175	237,219,099	19,810,677	27,798,399	1,848,700	111,318,827	555,286,877
As at 31 August 2021	112,703,675	191,188,458	8,367,065	13,666,790	153,425	192,960,876	518,770,289

(*) Land item includes the plot of Tarbyah Namouthajiyah Schools/ Nuzha District amounting to SR 16,658,500 as at 31 May 2022. The aforementioned land is mortgaged in favor of the Ministry of Finance as a collateral for loan (note 6.2). In addition, land item includes a plot to establish schools at Al-Qairawan District with the amount of at SR 44,587,500 mortgaged to a local bank and the same shall be released upon the settlement of the last installment on 8 September 2023 (note 6.4)

(**) The projects in progress item includes Al Qasr Scheme Project in Khobar, which comprises two plots with a total amount of SR 18,185,377, mortgaged to a local bank and the same shall be released upon settlement of the last installment on 18 May 2025 (note 6.5).

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

Right-of-use assets

	31 May 2022	31 August 2021
Balance at the beginning of the period / year	66,034,708	72,462,593
Additions during the period / year	73,846,936	--
Depreciation during the period / year	(10,328,027)	(6,427,885)
Balance at end of the period / year	129,553,617	66,034,708

Leases liabilities on the right-of-use assets

	31 May 2022	31 August 2021
Balance at the beginning of the period / year	68,302,948	72,692,223
Additions during the period / year	73,846,936	--
Interest expense on lease liability for the period / year	3,305,822	2,560,725
Rate discount	--	(943,889)
Lease payments during the period / year	(9,150,000)	(6,006,111)
Balance at end of the period / year	136,305,706	68,302,948
Current portion of lease liability on right-of-use assets	10,937,946	5,697,592
Non-current portion of lease liability on right-of-use assets	125,367,760	62,605,356
Lease liability on right-of-use assets	136,305,706	68,302,948

6. ISLAMIC MURABAHA AND MINISTRY OF FINANCE LOANS

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

Loans from the Ministry of Finance without financial charges

- 6.1 Loan from the Ministry of Finance under loan contract no. 42 to finance the establishment of an educational compound on 1 March 2009 corresponding to 4 Rabi I 1430H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah – Al Rawabi District (Previously Al Hadara School in Riyadh). The payment must be on ten annually equal installments. The first installment started after four years from the date of contract. This loan does not carry any finance charges. The last installment has been repaid in the period ended at 28 February 2022. This loan is secured by mortgaging title deed and ownership of real estate including mortgage of the project land and any constructions thereon. The mortgage was released upon full repayment of the loan.
- 6.2 Loan from the Ministry of Finance under loan contract no. 49 to finance the establishment of an educational compound on 5 January 2010 corresponding to 19 Muharram 1431H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Nuzha District. The amount has been received in installments 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. Nine installments of SR 22.5 million have been paid. At 31 May 2022, the balance of the loan amounted to SR 2.5 million.

This loan is secured by mortgaging title deed and ownership of real estate for the benefit of the Ministry of Finance. (note 4)

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

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

	31 May 2022	31 August 2021
Balance at beginning of the period / year	7,500,000	12,500,000
Repayments during the period / year	(5,000,000)	(5,000,000)
Balance at end of period / year	2,500,000	7,500,000

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

Total loans at end of the period / year	2,500,000	7,500,000
<u>Less: deferred financial charges</u>		
Balance at beginning of the period / year	(208,725)	(798,521)
Finance charges for the period / year	170,140	589,796
Balance at end of period / year	(38,585)	(208,725)

Current value of loans at end of the / year	2,461,415	7,291,275
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- 6.3 Deferred revenue "government grants" have been recognized by the difference between the current value of government loans and their nominal value granted by the Ministry of Finance to the Group (notes 6.1 and 6.2).

	31 May 2022	31 August 2021
Balance at beginning of the period / year	208,725	798,521
Amortizations during the period/ year		(589,796)
Deferred revenue of government grants at the end of the period/ year	(170,140)	208,725
Current portion of deferred revenue of government grants	38,585	208,725
Deferred revenue of government grants at the end of the period/ year	38,585	208,725

Islamic Murabaha from commercial banks

- 6.4 Murabaha from a commercial bank to finance purchasing a plot in Al-Qairawan District in Riyadh on 7 March 2016 corresponding to 27 Jumada Al Awal 1437H. Murabaha has been obtained in the amount of SR 40,697,967 including returns with the amount 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 plot in the name of a subsidiary of the bank as a collateral, and the same shall be released upon settlement of the last installment on 8 September 2023. During the period ended 30 November 2021, the due installments have been postponed as a result of benefiting from the deferred payment program from the Saudi central bank aimed at mitigating the effects of the corona pandemic, and accordingly the last installment shall be repaid on 8 September 2023.

The balance of Murabaha as at 31 May 2022 was SR 12,209,390.

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

- 6.5 Murabaha from a commercial bank to finance purchasing a plot in Khobar on 18 May 2017 corresponding to 21 Sha'ban 1438H. Murabaha has been obtained amounting in the amount of SR 16,975,695 including returns with the amount of SR 4,341,174 at a profit return rate of 8.25% to purchase two plots 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 through mortgaging this plot in the name of a subsidiary of the aforementioned bank, and the same shall be released upon settlement of the last installment on 18 May 2025. During the period ended 30 November ٢٠٢١, the due installments have been postponed as a result of benefiting from the deferred payment program from the Saudi central bank aimed at mitigating the effects of the corona pandemic, and accordingly the last installment shall be repaid on 18 May 2025.

The balance of Murabaha at 31 May 2022 amounted to SR 9,760,848.

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

The balance of Murabaha at 31 May 2022 amounted to SR 933,268.

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

	31 May 2022	31 August 2021
Balance at beginning of the period / year	28,716,769	28,833,428
Paid during the period / year	(5,813,263)	(116,659)
Balance at end of period / year	22,903,506	28,716,769
The present value of Islamic Murabaha granted by commercial banks is as follows:	31 May 2022	31 August 2021
Total Murabaha at end of period / year	22,903,506	28,716,769
<u>Less: deferred financial charges</u>		
Balance at beginning of the period / year	(1,058,081)	(2,371,386)
Finance charges for the period / year	404,364	1,313,305
Total Murabaha at end of period / year	(653,717)	(1,058,081)
Present value of Islamic Murabaha at end of the period / year	22,249,789	27,658,688

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

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

	31 May 2022	31 August 2021
Balance at beginning of the period / year	36,216,769	41,333,428
Paid during the period / year	(10,813,263)	(5,116,659)
Balance at end of the period / year	25,403,506	36,216,769
Less: deferred finance charges		
Balance at beginning of the period / year	(1,266,806)	(3,169,907)
Finance costs during the period / year	574,504	1,903,101
Balance at end of the period / year	(692,302)	(1,266,806)
Present value of Islamic Murabaha and Ministry of Finance loans at end of the period / year	24,711,204	34,949,963
Current portion of of Islamic Murabaha and Ministry of Finance loans	14,087,942	18,917,801
Non-current portion of Islamic Murabaha and Ministry of Finance loans	10,623,262	16,032,162
Present value of Islamic Murabaha and Ministry of Finance loans at end of the period / year	24,711,204	34,949,963

7. ADVANCES FROM CUSTOMERS

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

8. FINANCIAL ASSETS AND LIABILITIES

8.1 Financial assets

	31 May 2022	31 August 2021
<u>Financial assets at amortized cost:</u>		
Accounts receivable	38,523,583	19,373,208
Other receivables	17,536,279	7,870,058
Cash and cash equivalents	68,833,113	137,499,269
Total financial assets at amortized cost	124,892,975	164,742,535

8.2 Financial liabilities

	31 May 2022	31 August 2021
<u>Financial liabilities at amortized cost:</u>		
Islamic Murabaha and Ministry of Finance loans	24,711,204	34,949,963
Trade payable	1,763,642	164,990
Lease liability on right-of-use assets	136,305,706	68,302,948
Accrued expenses and other liabilities	8,580,627	7,677,104
Total financial liabilities at amortized cost	171,361,179	111,095,005
Current portion of financial liabilities	35,370,157	32,457,487
Non-current portion of financial liabilities	135,991,022	78,637,518
Total financial liabilities	171,361,179	111,095,005

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

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9. SHARE CAPITAL

The Company's share capital amounting to SR 430 million (2021: SR 430) divided into 43 million shares (2021: 43 million shares) with a nominal value of SR 10 each.

10. COMMITMENTS

	31 May 2022	31 August 2021
Contractual obligations for suppliers	12,880,000	6,565,160
Capital commitments - projects in progress	12,356,141	10,840,740
	25,236,141	17,405,900

11. RELATED PARTIES

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

<u>Name of related parties</u>	<u>Nature of relationship</u>	31 May 2022	31 August 2021
Aja Trading and Contracting Company	Construction contract	66,810	1,058,960
Refan operation and Maintenance Company (*)	Operation and maintenance	--	2,023,652
Specialized Buildings Company	Supervision on projects in progress	--	16,720
Aaj Real Estate Investment Company (*)	Purchase share of Refan	--	473,000
Yamami Holding Company(*)	Buildings rental- Purchase share of Refan	7,950,000	473,000

(*) During the previous year, the Group has acquired 100% controlling interests of Refan operation and Maintenance Company's interests and voting rights, which was owned by Yamami Holding Company and Aaj Real Estate Investment Company (related parties).

	31 May 2022	31 August 2021
Due to related parties (within accrued expenses and other current liabilities)		
Aja Trading and Contracting Company	--	37,507
Specialized Buildings Company	--	22,604
	--	60,111

Accrued compensation for board of directors and Key management

	31 May 2022	31 May 2021
Salaries, Remuneration and other benefits - short term	2,857,235	1,684,078

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12. SEGMENT REPORTING (CONTINUED)

Information about reportable segments with net income for the Group

	<u>31 May 2022</u>	<u>31 May 2021</u>
Gross profit from sectors	92,165,515	48,939,449
Marketing and advertising expenses	(996,531)	(1,204,910)
General and administrative expenses	(30,461,666)	(24,715,009)
Other income	1,176,509	1,129,332
Finance costs, net	(4,522,462)	(4,157,473)
Total undistributed amount	(34,804,150)	(28,948,060)
Profit before Zakat	57,361,365	19,991,389

13. FINANCE COST, NET

	<u>31 May 2022</u>	<u>31 May 2021</u>
Finance charges for Islamic Murabaha	359,919	1,079,158
Finance charges for government grants	170,140	422,136
Interest cost of end of service benefits	1,071,000	1,024,000
Interests on liabilities for right-of-use of assets	3,305,822	1,930,067
Short-term Islamic murabaha' returns	(384,419)	(297,888)
	4,522,462	4,157,473

14. BASIC AND DILUTED EARNINGS PER SHARE

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

	<u>31 May 2022</u>	<u>31 May 2021</u>
Net profit for the period	54,868,865	17,498,289
Weighted average number of shares	43,000,000	43,000,000
	1.28	0.41

15. DIVIDENDS

The Ordinary General Assembly held on 9 January 2022 approved the distribution of dividends to Shareholders amounted to SR 34.4 million at SR 0.80 per share (2021: SR 34.4 million at SR 0.80 per share).

16. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were authorized for issue on 1 Dhu al-Hijjah 1443H (Corresponding to 30 June 2022).