

**NATIONAL COMPANY FOR LEARNING
AND EDUCATION**
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Financial Statements (unaudited)
For the three and nine month period ended
At 31 May 2021
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 month period ended
At 31 May 2021

| Index | Page |
|---|-------------|
| Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements | 1 |
| Condensed Consolidated Statement of Financial Position | 2 |
| Condensed Consolidated Statement of Profit or Loss | 3 |
| Condensed Consolidated Statement of Comprehensive Income | 4 |
| Condensed Consolidated Statement of Changes in Equity | 5 |
| Condensed Consolidated Statement of Cash Flows | 6 |
| Notes to The Condensed Consolidated Interim Financial Statements | 7 -24 |



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No 1010425494

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

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 2021 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 2021;
- the condensed consolidated statement of profit or loss for the three-month period and nine-month periods ended 31 May 2021;
- the condensed consolidated statement of comprehensive income for the three-month period and nine-month periods ended 31 May 2021;
- the condensed consolidated statement of changes in equity for the nine-month period ended 31 May 2021;
- the condensed consolidated statement of cash flows for the nine-month period ended 31 May 2021; 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 2021 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: 2 Dhul Hijjah 1442H
Corresponding to: 12 July 2021



KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥٠٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة لجزيرة 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 2021
(Amounts in Saudi Riyals)

| | <u>Note</u> | 31 May 2021 (Unaudited) | 31 August 2020 (Audited) |
|---|-------------|--|---------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 518,923,855 | 517,131,174 |
| Intangible assets and goodwill | | 81,684,139 | 81,929,262 |
| Right-of-use assets | 6 | 67,654,887 | 72,462,593 |
| Total non-current assets | | 668,262,881 | 671,523,029 |
| Current assets | | | |
| Inventory | | 2,727,190 | 2,894,867 |
| Accounts receivable | | 21,888,824 | 36,305,494 |
| Prepayments and other receivables | | 21,133,722 | 18,747,356 |
| Cash and cash equivalents | | 117,026,627 | 107,519,296 |
| Total current assets | | 162,776,363 | 165,467,013 |
| Total assets | | 831,039,244 | 836,990,042 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 10 | 430,000,000 | 430,000,000 |
| Share premium | | 100,985,697 | 100,985,697 |
| Statutory reserve | | 29,047,848 | 29,047,848 |
| Retained earnings | | 47,798,673 | 64,820,186 |
| Total equity | | 607,832,218 | 624,853,731 |
| Non-current liabilities | | | |
| Non-current portion of Islamic Murabaha and Ministry of Finance loans | 7.7 | 18,413,175 | 24,910,187 |
| Employees' benefits | | 54,763,141 | 52,778,000 |
| Non-current portion of deferred revenue of government grants | 7.3 | 45,447 | 195,856 |
| Non-current portion of leases liabilities on right-of-use assets | 6 | 68,928,436 | 68,302,946 |
| Total non-current liabilities | | 142,150,199 | 146,186,989 |
| Current liabilities | | | |
| Current portion of long-term Islamic Murabaha and Ministry of Finance loans | 7.7 | 21,295,588 | 13,253,334 |
| Advance from customers | 8 | 43,391,096 | 28,563,097 |
| Current portion of lease liability on right-of-use assets | 6 | 4,693,854 | 4,389,277 |
| Accounts payable | | 309,424 | 1,534,525 |
| Current portion of deferred revenue of government grants | 7.3 | 330,938 | 602,665 |
| Accrued expenses and other payables | | 8,546,642 | 12,759,432 |
| Zakat provision | | 2,489,285 | 4,846,992 |
| Total current liabilities | | 81,056,827 | 65,949,322 |
| Total liabilities | | 223,207,026 | 212,136,311 |
| Total equity and liabilities | | 831,039,244 | 836,990,042 |

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)
For the three and nine month period ended 31 May 2021
(Amounts in Saudi Riyals)

| | <u>Note</u> | For the three-month period ended | | For the nine-month period ended | |
|---|-------------|---|--------------------|--|--------------------|
| | | 31 May 2021 | 31 May 2020 | 31 May 2021 | 31 May 2020 |
| Revenue | | 45,404,872 | 55,726,540 | 130,366,583 | 160,670,746 |
| Government grants and subsidies | | 3,442,427 | 1,479,566 | 9,529,226 | 5,118,808 |
| Cost of revenue | | (30,330,889) | (32,769,134) | (90,956,360) | (96,910,477) |
| Gross profit | | 18,516,410 | 24,436,972 | 48,939,449 | 68,879,077 |
| Marketing and advertising expenses | | (207,966) | (254,401) | (1,204,910) | (917,733) |
| General and administrative expenses | | (7,340,593) | (7,808,840) | (24,715,009) | (23,961,302) |
| Other income | | 143,987 | 20,995 | 1,129,332 | 978,458 |
| Impairment of accounts receivable | | -- | (2,141,025) | -- | (3,243,481) |
| Operating profit | | 11,111,838 | 14,253,701 | 24,148,862 | 41,735,019 |
| Finance cost, net | 14 | (1,133,641) | (1,479,408) | (4,157,473) | (2,341,400) |
| Net profit for the period before Zakat | | 9,978,197 | 12,774,293 | 19,991,389 | 39,393,619 |
| Zakat | | (832,500) | (647,297) | (2,493,100) | (2,184,875) |
| Net profit for the period | | 9,145,697 | 12,126,996 | 17,498,289 | 37,208,744 |
| Earnings per share: | | | | | |
| Basic and diluted earnings per share | 15 | 0,21 | 0,28 | 0,41 | 0,87 |

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

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
For the three and nine month period ended 31 May 2021
(Amounts in Saudi Riyals)

| | For the three-month period ended | | For the nine-month period ended | |
|--|---|--------------------|--|--------------------|
| | 31 May 2021 | 31 May 2020 | 31 May 2021 | 31 May 2020 |
| Net profit for the period | 9,145,697 | 12,126,996 | 17,498,289 | 37,208,744 |
| <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 | 1,266,128 | 1,038,907 | (119,802) | (632,963) |
| Total items that will not be reclassified to profit or loss in subsequent periods | 1,266,128 | 1,038,907 | (119,802) | (632,963) |
| Total other comprehensive income / (loss) for the period | 1,266,128 | 1,038,907 | (119,802) | (632,963) |
| Total comprehensive income for the period | 10,411,825 | 13,165,903 | 17,378,487 | 36,575,781 |

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

9/3

Alkudat

TSO

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
For the nine-month period ended 31 May 2021
(Amounts in Saudi Riyals)

| | <u>Share capital</u> | <u>Share premium</u> | <u>Statutory reserve</u> | <u>Retained earnings</u> | <u>Total equity</u> |
|--|----------------------|----------------------|--------------------------|--------------------------|---------------------|
| Balance as at 1 September 2019 (Audited) | 430,000,000 | 100,985,697 | 23,268,013 | 51,284,897 | 605,538,607 |
| Net profit for the period | -- | -- | -- | 37,208,744 | 37,208,744 |
| Other comprehensive loss for the period | -- | -- | -- | (632,963) | (632,963) |
| Total comprehensive income for the period | -- | -- | -- | 36,575,781 | 36,575,781 |
| Dividends (Note 16) | -- | -- | -- | (34,400,000) | (34,400,000) |
| Balance as at 31 May 2020 (unaudited) | 430,000,000 | 100,985,697 | 23,268,013 | 53,460,678 | 607,714,388 |
| 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 16) | -- | -- | -- | (34,400,000) | (34,400,000) |
| Balance as at 31 May 2021 (unaudited) | 430,000,000 | 100,985,697 | 29,047,848 | 47,798,673 | 607,832,218 |

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





NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
For the nine-month period ended 31 May 2021
(Amounts in Saudi Riyals)

| | <u>31 May 2021</u> | <u>31 May 2020</u> |
|---|---------------------|----------------------|
| Cash flows from operating activities | | |
| Net profit for the period before Zakat | 19,991,389 | 39,393,619 |
| Adjustments for: | | |
| Amortization and depreciation | 11,879,162 | 7,857,602 |
| Employees' benefits | 4,203,407 | 3,392,415 |
| Realized revenue from government grants | (422,136) | (752,377) |
| Short-term Islamic deposits' returns | (297,888) | (2,066,136) |
| Gains on disposal of property, plant and equipment | -- | (125,714) |
| Finance costs | 4,455,361 | 4,407,536 |
| Reverse of impairment in other receivables | (3,450) | -- |
| Impairment of accounts receivable | -- | 3,243,481 |
| | <u>39,805,845</u> | <u>55,350,426</u> |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 14,416,670 | (25,208,621) |
| Inventory | 167,677 | 34,240 |
| Prepayments and other receivables | (918,570) | 896,637 |
| Accounts payable | (1,225,101) | (973,258) |
| Accrued expenses and other liabilities | (4,646,019) | 6,799,745 |
| Advance from customers | 14,827,999 | (6,382,022) |
| Employees' benefits paid | (4,780,068) | (3,475,783) |
| Zakat paid | (4,879,506) | (1,755,661) |
| Net cash flows generated from operating activities | <u>52,768,927</u> | <u>25,285,703</u> |
| Cash flows from Investing Activities | | |
| Additions to property, plant and equipment and projects in progress | (7,302,457) | (64,792,137) |
| Proceeds from disposal of property, plant and equipment | -- | 125,714 |
| Proceeds from short-term Islamic deposits' returns | 297,888 | 2,066,136 |
| Net payments for subsidiary's acquisition | (857,027) | (63,684,818) |
| Net cash flows used in investing activities | <u>(7,861,596)</u> | <u>(126,285,105)</u> |
| Cash flows from financing activities | | |
| Repayment of leases liabilities on right-of-use assets | (1,000,000) | -- |
| Repayment of Islamic Murabaha and Ministry of Finance loans | -- | (14,792,152) |
| Dividend paid | (34,400,000) | (34,400,000) |
| Net cash flows used in financing activities | <u>(35,400,000)</u> | <u>(49,192,152)</u> |
| Net change in cash and cash equivalents | <u>9,507,331</u> | <u>(150,191,554)</u> |
| Cash and cash equivalents at beginning of the period | 107,519,296 | 240,045,569 |
| Cash and cash equivalents at end of the period | <u>117,026,627</u> | <u>89,854,015</u> |
| <u>Non-cash transactions during the period</u> | | |
| Actuarial losses on re-measurement of employees' benefits | (119,802) | (632,963) |
| Interest capitalized on capital on progress | 43,948 | 54,714 |
| Transfer from project under progress | 43,023,448 | 10,735,542 |

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

9/13

Alkandari

TS

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 2021

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.

The Company carries out its business through its branches and 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 2020.

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.

Branch of Tarbyah Namouthajiyah Schools/Qairwan District under CR no. 1010644469 dated 1 Dhul Hijah 1441H corresponding to 21 July 2020.

Branch of Tarbyah Namouthajiyah Schools/Telal Al Doha- Dammam District under CR no. 2050138947 dated 9 Rabi I 1442H corresponding to 25 October 2020.

Branch of Tarbyah Namouthajiyah Schools/Rayan District under CR no. 1010644470 dated 1 Dhul Hijah 1441H corresponding to 21 July 2020.

Branch of Tarbyah Namouthajiyah Schools/Rayan District under CR no. 1010664733 dated 10 Rabi I 1442H corresponding to 26 October 2020.

Branch of Tarbyah Namouthajiyah Schools/Rawabi District under CR no. 1010664732 dated 10 Rabi I 1442H corresponding to 26 October 2020.

Branch of Tarbyah Namouthajiyah Schools/Al-Nuzha District under CR no. 1010665999 dated 12 Rabi I 1442H corresponding to 28 October 2020.

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

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 2021

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

These consolidated financial statements include the financial information of the Company, and the following subsidiaries 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 2021</u> | <u>31 August 2020</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 | -- |

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 of 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 2020. 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.

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.

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 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Basis of consolidation (continued)

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

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 equity 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 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.

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).

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 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2- Fair value measurement (continued)

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. |

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.

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 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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).

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.

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.

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 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

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. |

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.

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 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

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

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

Measurement of ECLs

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

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

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.

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.

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 2021
(Amounts in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4- Financial instruments (continued)

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.

4. ACQUISITION OF SUBSIDIARY

- Acquisition of Refan Operation and Maintenance Company's shares

On 1 January 2021, the Group acquired 100% of the share and voting interest of Refan Operation and Maintenance Company ("the Subsidiary"). Taking control of Refan Operation and Maintenance Company will enable the Group to consolidate its financial statements in those condensed consolidated interim financial statements.

Refan Operation and Maintenance Company's activities are operation and maintenance.

From the date of acquisition Refan Operation and Maintenance Company contributed revenue of SR2,102,826 from the revenue of Group and net profit of SR 121,849 from the net profit of the Group. If the acquisition had occurred on 1 September 2020, management estimates that consolidated revenue would have been SR 132,2 million, and consolidated net profit for the period would have been SR 17,5 million.

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

| Assets | 1 January 2021 |
|---|-----------------------|
| Property, plant and equipment | 12,700 |
| Intangible assets | 8,156 |
| Prepayments and other receivables | 1,464,346 |
| Cash and cash equivalents | 88,973 |
| Total assets | 1,574,175 |
| Liabilities | |
| Employees' benefits | 1,418,000 |
| Accrued expenses and other payables | 433,229 |
| Zakat provision | 28,699 |
| Total liabilities | 1,879,928 |
| Identifiable Net Liabilities at acquisition date * | (305,753) |
| The result of the acquisition | |
| Consideration transferred-cash | 946,000 |
| Identifiable net assets | 305,753 |
| Goodwill ** | 1,251,753 |

(Amounts in Saudi Riyals)

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 2021

4. ACQUISITION OF SUBSIDIARY (CONTINUED)

- Acquisition of Refan Operation and Maintenance Companys' shares (continued)

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

** The goodwill has been allocated to Refan Operation and Maintenance Company as it is a cash generated unit.

The Group has incurred acquisition related costs amounted to SR 38,250 which included in general and administrative expenses.

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 2021
(Amounts in Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT

| <u>Cost</u> | <u>Lands (*)</u> | <u>Buildings and improvements on buildings (*)</u> | <u>Furniture and fixture</u> | <u>Computers and equipment</u> | <u>Motor vehicles</u> | <u>Projects in progress (**)</u> | <u>Total</u> |
|------------------------------------|--------------------|--|------------------------------|--------------------------------|-----------------------|----------------------------------|--------------------|
| As at 1 September 2019 | 101,308,775 | 223,110,377 | 28,896,075 | 48,933,493 | 7,279,204 | 172,849,803 | 582,377,727 |
| Additions during the year | -- | 9,674,414 | 5,267,096 | 5,930,588 | 1,896,322 | 69,036,294 | 91,804,714 |
| Transfer form projects in progress | -- | 9,155,975 | 208,776 | 1,370,791 | -- | (10,735,542) | -- |
| Disposal during the year | -- | -- | -- | -- | (1,160,640) | -- | (1,160,640) |
| As at 31 August 2020 | 101,308,775 | 241,940,766 | 34,371,947 | 56,234,872 | 8,014,886 | 231,150,555 | 673,021,801 |
| Additions due to the acquisition | -- | -- | 12,926 | 11,325 | -- | -- | 24,251 |
| Additions during the period | -- | -- | 2,713,225 | 1,134,504 | -- | 3,498,676 | 7,346,405 |
| Transfer form projects in progress | 11,394,900 | 25,473,315 | 1,361,954 | 4,793,279 | -- | (43,023,448) | -- |
| As at 31 May 2021 | 112,703,675 | 267,414,081 | 38,460,052 | 62,173,980 | 8,014,886 | 191,625,783 | 680,392,457 |
| <u>Accumulated depreciation</u> | | | | | | | |
| As at 1 September 2019 | -- | 66,571,292 | 25,236,991 | 42,365,132 | 7,263,929 | -- | 141,437,344 |
| Charge for the year | -- | 5,735,694 | 3,728,438 | 4,275,159 | 1,874,632 | -- | 15,613,923 |
| Disposal 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 |
| Charge due to the acquisition | -- | -- | 2,168 | 9,383 | -- | -- | 11,551 |
| Charge for the period | -- | 2,993,778 | 936,787 | 1,618,248 | 17,611 | -- | 5,566,424 |
| As at 31 May 2021 | -- | 75,300,764 | 29,904,384 | 48,267,922 | 7,995,532 | -- | 161,468,602 |
| <u>Net book value</u> | | | | | | | |
| As at 31 May 2021 | 112,703,675 | 192,113,317 | 8,555,668 | 13,906,058 | 19,354 | 191,625,783 | 518,923,855 |
| 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 |

(*) Land item includes mortgaged lands to the Ministry of Finance represented in the land of Tarbiyah Namouthajiyah Schools- Al-Rawabi District amounting to SR 19,681,750 and the land of Tarbiyah Namouthajiyah Schools- Al-Nuzha District amounted to SR 16,658,500 as at 31 May 2021. In addition, Buildings item includes a mortgaged building to the Ministry of Finance represented in the branch of Tarbiyah Namouthajiyah Schools - Al-Rawabi District with net carrying amount of SR 45,687,027 as at 31 May 2021 to secure both loans from the Ministry of Finance (Note 7.1 & 7.2).

(**) The projects in progress includes School project in Al-Qairawan District represents mainly the value of a plot of land to establish schools in Al-Qairawan District in the amount of SR 44,587,500 mortgaged to a local bank provided that release of mortgage shall be carried out subsequent to paying the last installment on 8 March 2023 (Note 7.4).

Further, Khobar Al Qasr project scheme represents two plots of land in Al Qasr scheme in Khobar in a total amount of SR 18,185,377 mortgaged to a local bank provided that the release of mortgage of the land shall be carried out subsequent to paying the last installment of the loan on 18 Nov 2024 (Note 7.5).

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 2021
(Amounts in Saudi Riyals)

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

Right-of-use assets

| | 31 May 2021 | 31 August 2020 |
|---|------------------------|---------------------------|
| Balance at the beginning of the period / year | 72,462,593 | -- |
| Additions during the period / year | -- | 74,055,395 |
| Depreciation for the period / year | (4,807,706) | (1,592,802) |
| Balance at end of the period / year | 67,654,887 | 72,462,593 |

Leases liabilities on the right-of-use assets

| | 31 May 2021 | 31 August 2020 |
|---|--------------------|---------------------------|
| Balance at the beginning of the period / year | 72,692,223 | -- |
| Additions during the period / year | -- | 76,961,502 |
| Interest expense for the period / year | 1,930,067 | 847,388 |
| Lease payments during the period / year | (1,000,000) | (5,116,667) |
| Balance at end of the period / year | 73,622,290 | 72,692,223 |
| Current portion of lease liability on right-of-use assets | 4,693,854 | 4,389,277 |
| Non-current portion of lease liability on right-of-use assets | 68,928,436 | 68,302,946 |
| Lease liability on right-of-use assets | 73,622,290 | 72,692,223 |

7. ISLAMIC MURABAHA AND MINISTRY OF FINANCE LOANS

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

Loans from the Ministry of Finance without financial charges

- 7.1 Loan from the Ministry of Finance under loan contract no. 42 to finance the establishment of an educational 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. Eight installments have been paid amounting to SR 20 million.

The balance of the loan amounted to SR 5 million as at 31 May 2021. This loan is secured by mortgaging title deed and ownership of real estate including the mortgage of the project land and any constructions thereon whether in the past or in future for the benefit of the Ministry of Finance.

- 7.2 Loan from the Ministry of Finance under loan contract no. 49 to finance the establishment of an educational compound on 5 January 2010 corresponding to 19 Muharram 1431H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Nuzha District. Loan of SR 25,000,000 is to be paid in ten equal annual amount installments. The first installment started after four years from the date of contract. This loan does not carry any finance charges. Seven installments have been paid amounting to SR 17.5 million.

The balance of the loan amounted to SR 7.5 million as at 31 May 2021. This loan is secured by mortgaging title deed and ownership of a real estate for the benefit of the Ministry of Finance.

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 2021
(Amounts in Saudi Riyals)

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

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

| | 31 May 2021 | 31 August 2020 |
|---|--------------------|-----------------------|
| Balance at beginning of the period / year | 12,500,000 | 17,500,000 |
| Repayments during the period / year | -- | (5,000,000) |
| Balance at end of period / year | 12,500,000 | 12,500,000 |

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

| | | |
|---|-------------------|-------------|
| Total loans at end of the period / year | 12,500,000 | 12,500,000 |
| <u>Less: deferred financial charges</u> | | |
| Balance at beginning of the period / year | (798,521) | (1,993,285) |
| Finance costs for the period / year | 422,136 | 1,194,764 |
| Balance at end of period / year | (376,385) | (798,521) |

| | | |
|---|-------------------|------------|
| Present value of loans at end of the period / year | 12,123,615 | 11,701,479 |
|---|-------------------|------------|

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

| | 31 May 2021 | 31 August 2020 |
|--|--------------------|-----------------------|
| Balance at beginning of the period / year | 798,521 | 1,993,285 |
| Amortizations during the period / year | (422,136) | (1,194,764) |
| Deferred revenue of government grants at the end of the period / year | 376,385 | 798,521 |
| Current portion of deferred revenue of government grants | 330,938 | 602,665 |
| Non-current portion of deferred revenue of government grants | 45,447 | 195,856 |
| Deferred revenue of government grants at the end of the period / year | 376,385 | 798,521 |

Islamic Murabaha from commercial banks

- 7.4 Murabaha from a commercial bank to finance purchasing of a plot of land in Al-Qairawan District in Riyadh on 7 March 2016 corresponding to 27 Jumada I 1437H. Murabaha has been obtained amounting to SR 40,697,967 including returns of SR 9,721,973 at a profit return rate of 7.5% provided that Murabaha shall be repaid on ten equal semi-annual installments of SR 4,069,797 each. The first installment was repaid on 10 September 2017. Murabaha has been obtained through mortgaging this land in the name of a subsidiary of the bank as a collateral, provided that release of mortgage shall be carried out subsequent to the paying the last installment on 8 March 2023.

The balance of Murabaha as at 31 May 2021 amounted to SR 16,279,186.

- 7.5 Murabaha from a commercial bank to finance purchasing a plot of land in Khobar on 18 May 2017 corresponding to 21 Sha'ban 1438 H. Murabaha has been obtained amounting to SR 16,975,695 including returns of SR 4,341,174 at profit return rate of 8.25% to purchase two plots of land to build schools in Khobar provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 1,626,808 each. The first installment was repaid on 18 November 2018. Murabaha has been obtained by mortgaging these lands in the name of a subsidiary of the bank provided that the release of mortgage shall be carried out subsequent to the repayment of the last installment on 18 Nov 2024.

The balance of Murabaha as at 31 May 2021 is SR 11,387,656.

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 2021

(Amounts in Saudi Riyals)

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

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

The balance of Murabaha as at 31 May 2021 is SR 1,166,586.

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

| | 31 May 2021 | 31 August 2020 |
|--|------------------------|---------------------------|
| Balance at beginning of the period / year | 28,833,428 | 38,651,328 |
| Repayments during the period / year | -- | (9,817,900) |
| Balance at end of period / year | 28,833,428 | 28,833,428 |
| The present value of Islamic Murabaha granted by commercial banks is as follows: | 31 May 2021 | 31 August 2020 |
| Total Murabaha at end of period / year | 28,833,428 | 28,833,428 |
| <u>Less: deferred financial charges</u> | | |
| Balance at beginning of the period / year | (2,371,386) | (4,315,068) |
| Balance at end of period / year | 1,123,106 | 1,194,682 |
| Total Murabaha at end of period / year | (1,248,280) | (2,371,386) |
| Present value of Islamic Murabaha at end of the period / year | 27,585,148 | 26,462,042 |

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

| | 31 May 2021 | 31 August 2020 |
|--|--------------------|-----------------------|
| Balance at beginning of the period / year | 41,333,428 | 56,151,328 |
| Repayment during the period / year | -- | (14,817,900) |
| Balance at end of the period / year | 41,333,428 | 41,333,428 |
| <u>Less: deferred finance charges</u> | | |
| Balance at beginning of the period / year | (3,169,907) | (6,308,353) |
| Finance charges during the period / year | 1,545,242 | 3,138,446 |
| Balance at end of the period / year | (1,624,665) | (3,169,907) |
| Present value of Islamic Murabaha and Ministry of Finance loans at end of the period / year | 39,708,763 | 38,163,521 |
| Current portion of of long-term Islamic Murabaha and Ministry of Finance loans | 21,295,588 | 13,253,334 |
| Non-current portion of long-term Islamic Murabaha and Ministry of Finance loans | 18,413,175 | 24,910,187 |
| Present value of Islamic Murabaha and Ministry of Finance loans at end of the period / year | 39,708,763 | 38,163,521 |

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 2021
(Amounts in Saudi Riyals)

8. ADVANCED FROM CUSTOMERS

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

9. FINANCIAL ASSETS AND LIABILITIES

9.1 Financial assets

| | 31 May 2021 | 31 August 2020 |
|---|--------------------|--------------------|
| <u>Financial assets at amortized cost:</u> | | |
| Accounts receivable | 21,888,824 | 36,305,494 |
| Prepayments and other receivables | 21,133,722 | 18,747,356 |
| Cash and cash equivalents | 117,026,627 | 107,519,296 |
| Total financial assets at amortized cost | 160,049,173 | 162,572,146 |

9.2 Financial liabilities

| | 31 May 2021 | 31 August 2020 |
|--|--------------------|--------------------|
| <u>Financial liabilities at amortized cost:</u> | | |
| Islamic Murabaha and Ministry of Finance loans | 39,708,763 | 38,163,521 |
| Trade payable | 309,424 | 1,534,525 |
| Lease liability on right-of-use assets | 73,622,290 | 72,692,223 |
| Accrued expenses and other liabilities | 8,546,642 | 12,759,432 |
| Total financial liabilities at amortized cost | 122,187,119 | 125,149,701 |
| Current portion of financial liabilities | 34,845,508 | 31,936,568 |
| Non-current portion of financial liabilities | 87,341,611 | 93,213,133 |
| Total financial liabilities | 122,187,119 | 125,149,701 |

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

10. SHARE CAPITAL

The Company's share capital amounting to SR 430 million (2020: SR 430 million) divided into 43 million shares (2020: 43 million shares) with a nominal value of SR 10 each.

11. COMMITMENTS

| | 31 May 2021 | 31 August 2020 |
|--|-------------------|-------------------|
| Contractual obligations for suppliers | 5,290,383 | 534,885 |
| Capital commitments - projects in progress | 21,766,383 | 21,501,193 |
| | 27,056,766 | 22,036,078 |

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 2021
(Amounts in Saudi Riyals)

12. RELATED PARTIES

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

| <u>Name of related parties</u> | <u>Nature of relationship</u> | <u>31 May 2021</u> | <u>31 August 2020</u> |
|---|--|---------------------------|------------------------------|
| Aja Trading and Contracting Company – affiliate | Construction contract | 500,000 2,023,652 | 8,530,878 |
| Refan operation and Maintenance Company – Subsidiary | Operation and maintenance. | | 7,360,519 |
| Specialized Buildings Company – Affiliate | Consulting and supervision on projects in progress | 16,720 | 877,163 |
| Yamami Holding Company– Affiliate | Buildings rental | - | 875,000 |
| | | <u>31 May 2021</u> | <u>31 August 2020</u> |
| Due from related parties (within prepayments and other receivables) | | | |
| Aja Trading and Contracting Company | | 485,987 | 167,533 |
| | | <u>485,987</u> | <u>167,533</u> |
| Due to related parties (within accrued expenses and other current liabilities) | | | |
| Aaj Investment Company | | -- | 104,002 |
| Specialized Buildings Company | | 22,604 | -- |
| Refan Operation and Maintenance Company | | -- | 438,989 |
| Yamami Holding Company | | -- | 750,000 |
| | | <u>22,604</u> | <u>1,292,991</u> |
| Key management compensation | | | |
| | | <u>31 May 2021</u> | <u>31 May 2020</u> |
| Salaries and other benefits - short term | | 1,676,578 | 2,634,755 |

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 2021
(Amounts in Saudi Riyals)

13. SEGMENT REPORTING

The Group operates in the acquire 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:

| | Nine-month period ended 31 May 2021 | | | | | | | | | | Total |
|---------------------------------|-------------------------------------|--|-------------------|------------------|------------------|-----------------|----------------------|-----------------|--------------------|-------------|--------------|
| | Al-Rayyan Schools | Al-Rayyan schools | Al-Rawabi Schools | Al-Nuzha Schools | Qurtubah schools | Beridaa schools | Al Khwarizmi Schools | Al Ghad Schools | Al Qairwan schools | Others | |
| Revenues | 29,483,421 | Al-Rayyan schools | 35,792,976 | 26,991,181 | 2,861,002 | 2,726,626 | 8,271,381 | 16,003,015 | 7,456,906 | 2,102,826 | 130,366,583 |
| Government grants and subsidies | 2,217,191 | Al-Rawabi schools | 2,670,866 | 2,192,621 | 437,434 | 690,407 | 311,676 | 568,934 | 440,097 | - | 9,529,226 |
| Cost of revenue | (18,723,461) | Al-Nuzha schools | (24,683,388) | (14,062,035) | (2,701,431) | (3,664,804) | (4,319,132) | (14,682,177) | (6,375,698) | (1,744,234) | (90,956,360) |
| Gross profit | 12,977,151 | Others | 13,780,454 | 15,121,767 | 597,005 | (247,771) | 4,263,925 | 1,889,772 | 1,521,305 | 358,592 | 48,939,499 |
| Property, plant and equipment | 82,676,596 | Al-Rayyan schools | 67,614,781 | 78,590,035 | 32,561,573 | 37,977,265 | 7,771,288 | 1,594,851 | 18,499,907 | 11,776 | 518,923,855 |
| Depreciation | 847,825 | Al-Rawabi schools | 1,102,179 | 1,474,035 | 415,272 | 683,542 | 420,429 | 214,877 | 407,341 | 924 | 5,566,424 |
| | Nine-month period ended 31 May 2020 | | | | | | | | | | Total |
| | Al-Rayyan Schools | Al-Rayyan schools | Al-Rawabi Schools | Al-Nuzha Schools | Qurtubah schools | Beridaa schools | Al Khwarizmi Schools | Al Ghad Schools | Al Qairwan schools | Others | |
| Revenues | 47,916,024 | Al-Rayyan schools | 54,726,521 | 41,864,436 | 4,731,630 | 1,409,699 | 7,838,910 | 2,183,526 | - | - | 160,670,746 |
| Government grants and subsidies | 1,334,668 | Al-Rawabi schools | 1,711,995 | 1,794,613 | 199,609 | 2,923 | 75,000 | - | - | - | 5,118,808 |
| Cost of revenue | (29,240,226) | Al-Nuzha schools | (33,098,367) | (22,627,323) | (3,653,751) | (1,392,945) | (3,370,138) | (1,527,727) | - | - | (96,910,477) |
| Gross profit | 20,010,466 | Others | 21,340,149 | 21,031,726 | 1,277,488 | 19,677 | 4,543,772 | 655,799 | - | - | 68,879,077 |
| Property, plant and equipment | 83,277,080 | Al-Rayyan schools | 68,757,317 | 80,051,568 | 32,961,227 | 11,519,925 | 8,366,307 | 1,872,383 | - | - | 509,454,710 |
| Depreciation | 1,441,845 | Al-Rawabi schools | 1,688,970 | 2,476,801 | 608,313 | 344,508 | 252,877 | 29,340 | - | - | 6,842,654 |
| | | Al-Nuzha schools | | | | | | | | | |
| | | Qurtubah schools | | | | | | | | | |
| | | Others | | | | | | | | | |
| | | Elimination inter-company transactions | | | | | | | | | |
| | | Projects in progress | | | | | | | | | |

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

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 2021
(Amounts in Saudi Riyals)

13. SEGMENT REPORTING (CONTINUED)

Information about reportable segments with net income for the Group

| | <u>31 May 2021</u> | <u>31 May 2020</u> |
|-------------------------------------|---------------------|---------------------|
| Gross profit from sectors | <u>48,939,449</u> | <u>68,879,077</u> |
| Marketing and advertising expenses | <u>(1,204,910)</u> | <u>(917,733)</u> |
| General and administrative expenses | <u>(24,715,009)</u> | <u>(23,961,302)</u> |
| Other income | <u>1,129,332</u> | <u>978,458</u> |
| Impairment of account receivables | <u>--</u> | <u>(3,243,481)</u> |
| Finance costs, net | <u>(4,157,473)</u> | <u>(2,341,400)</u> |
| Total undistributed amount | <u>(28,948,060)</u> | <u>(29,485,458)</u> |
| Profit before Zakat | <u>19,991,389</u> | <u>39,393,619</u> |

14. FINANCE COST, NET

| | <u>31 May 2021</u> | <u>31 May 2020</u> |
|---|--------------------|--------------------|
| Finance charges for Islamic Murabaha | <u>1,079,158</u> | <u>1,612,797</u> |
| Finance charges for government grants | <u>422,136</u> | <u>752,377</u> |
| Interest cost of end of service benefits | <u>1,024,000</u> | <u>1,056,000</u> |
| Interests on liabilities for right-of-use of assets | <u>1,930,067</u> | <u>986,362</u> |
| Short-term Islamic murabaha' returns | <u>(297,888)</u> | <u>(2,066,136)</u> |
| | <u>4,157,473</u> | <u>2,341,400</u> |

15. BASIC AND DILUTED EARNINGS PER SHARE

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

| | <u>31 May 2021</u> | <u>31 May 2020</u> |
|-----------------------------------|--------------------|--------------------|
| Net profit for the period | <u>17,498,289</u> | <u>37,208,744</u> |
| Weighted average number of shares | <u>43,000,000</u> | <u>43,000,000</u> |
| | <u>0.41</u> | <u>0.87</u> |

16. DIVIDENDS

The Ordinary General Assembly held on 13 January 2021 approved the distribution of dividends to Shareholders amounted to SR 34.4 million at SR 0.80 per share (2020: SR 34.4 million at SR 0.80 per share).

17. MATERIAL MATTERS

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 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 10% to

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 2021
(Amounts in Saudi Riyals)

17. MATERIAL MATTERS (CONTINUED)

30% for the remaining educational grades and stages, from the tuition fees of the academic year 2020-2021.

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

18. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were authorized for issue on 28 Zul-Qa'dah 1442H (Corresponding to 8 July 2021).