

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

**Interim Condensed Consolidated
Financial Statements**

**For the three-month and six-month periods ended 31 January 2021
together with the Independent Auditor's Review Report**

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Financial Statements (Unaudited)
For the three-month and six-month periods ended 31 January 2021

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ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Financial Position
As at 31 January 2021
(Saudi Riyals)

	Note	31 January 2021 (unaudited)	31 July 2020 (audited)
ASSETS			
Non-current assets			
Property and equipment	4	495,282,984	499,583,758
Investment properties	5	37,584,519	37,752,049
Intangible assets	6	377,298,239	377,577,329
Right-of-use assets	7	309,726,135	259,028,942
Total non-current assets		1,219,891,877	1,173,942,078
Current assets			
Inventories		1,376,368	803,452
Accounts receivable	8	44,038,063	76,924,636
Prepayments and other receivables		19,855,419	14,526,429
Cash and cash equivalents		39,623,813	2,394,383
Total current assets		104,893,663	94,648,900
Total assets		1,324,785,540	1,268,590,978
EQUITY AND LIABILITIES			
Equity			
Share capital	9	400,000,000	400,000,000
Share premium	9-1	209,594,000	209,594,000
Statutory reserve	10	31,142,800	31,142,800
Actuarial reserve		(5,906,103)	(6,313,678)
Retained earnings		85,933,165	114,625,797
Total equity		720,763,862	749,048,919
LIABILITY			
Non-current liabilities			
Lease liabilities	7	310,650,133	257,890,737
Borrowings non-current portion	12	26,889,948	41,426,855
Deferred revenue of government grants	13	1,671,347	1,899,881
Employees' post-employment benefits		34,345,035	33,363,510
Total non-current liabilities		373,556,463	334,580,983
Current liabilities			
Borrowing current portion	12	138,346,617	115,903,299
Advance revenue		26,050,247	5,448,384
Accounts payables		1,525,285	5,050,022
Deferred revenue of government grants	13	484,890	512,712
Accruals and other payables		27,170,146	23,776,288
Provision for Zakat	14-2	438,611	1,810,241
Lease liabilities	7	22,029,241	23,320,268
Due to a related party	15-1	14,420,178	9,139,862
Total current liabilities		230,465,215	184,961,076
Total liabilities		604,021,678	519,542,059
Total equity and liabilities		1,324,785,540	1,268,590,978
Contingent liabilities and capital commitments	20		

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

Adel Nader

Chief Executive Officer

Ibrahim Al-Turki

Chairman of Board of Directors

Tariq bin Othman Al-Qasabi

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Profit or Loss
For the three-month and six-month periods ended 31 January 2021
(Saudi Riyals)

	Note	For the three-month period ended 31 January		For the Six-month period ended 31 January	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue		63,187,722	84,479,489	124,413,809	165,589,613
Cost of revenue		(46,523,958)	(59,593,296)	(94,041,750)	(115,177,992)
Gross profit		16,663,764	24,886,193	30,372,059	50,411,621
General and administrative expenses		(6,528,710)	(6,097,967)	(11,418,601)	(11,048,416)
Impairment of accounts receivable		(127,211)	(222,754)	(1,085,370)	(2,294,348)
Other income		1,614,826	4,797,627	3,613,437	8,372,220
Operating profit		11,622,669	23,363,099	21,481,525	45,441,077
Finance costs	16	(5,068,943)	(5,661,515)	(9,735,546)	(11,068,787)
Net income for the period before Zakat		6,553,726	17,701,584	11,745,979	34,372,290
Zakat	14-2	(163,145)	(418,290)	(438,611)	(836,580)
Net income for the period		6,390,581	17,283,294	11,307,368	33,535,710
Earnings per share					
Basic and diluted earnings per share as per income for the period attributable to the shareholders of the Group	17	0.16	0.43	0,28	0.84

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer
Adel Nader

Chief Executive Officer
Ibrahim Al-Turki

Chairman of Board of Directors
Tariq bin Othman Al-Qasabi

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Comprehensive Income
For the three-month and six-month periods ended 31 January 2021
(Saudi Riyals)

	For the three-month period ended 31 January		For the Six-month period ended 31 January	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Note				
Net income for the period	6,390,581	17,283,294	11,307,368	33,535,710
Other comprehensive income: Items that will not be reclassified subsequently to the statement of profit or loss:				
Actuarial gains/ (losses) on re- measurement of 'employees post-employment benefits	255,369	(649,450)	407,575	(1,254,400)
Total comprehensive income for the period	6,645,950	16,633,844	11,714,943	32,281,310

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

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ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

Interim Consolidated Statement of Changes in Equity**For the three-month period ended 31 January 2021**

(Saudi Riyals)

	Note	Share capital	Share Premium	Statutory reserve	Actuarial reserve	Retained earnings	Total
For the three-month period ended 31 January 2020							
Restated balance as at 31 July 2019 (audited)		400,000,000	209,594,000	23,562,892	832,500	84,687,107	718,676,499
Net income for the period		-	-	-	-	33,535,710	33,535,710
Other comprehensive loss for the period		-	-	-	(1,254,400)	-	(1,254,400)
Dividends					-	(40,000,000)	(40,000,000)
Balance at 31 January 2020 (unaudited)		400,000,000	209,594,000	23,562,892	(421,900)	78,222,817	710,957,809
For the three-month period ended 31 January 2021							
Balance as at 31 July 2020 (audited)		400,000,000	209,594,000	31,142,800	(6,313,678)	114,625,797	749,048,919
Net income for the period		-	-	-	-	11,307,368	11,307,368
Other comprehensive income for the period		-	-	-	407,575	-	407,575
Dividends	11	-	-	-	-	(40,000,000)	(40,000,000)
Balance at 31 January 2021 (unaudited)		400,000,000	209,594,000	31,142,800	(5,906,103)	85,933,165	720,763,862

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

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Chief Executive Officer

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Chairman of Board of Directors

Tariq bin Othman Al-Qasabi

ATAA EDUCATIONAL COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Cash Flows
For the six-month period ended 31 January 2021
(Saudi Riyals)

	Note	31 January 2021 (Unaudited)	31 January 2020 (Unaudited)
Cash flows from operating activities			
Net income for the period before Zakat		11,745,979	34,372,290
Adjustments for:			
Depreciation of property and equipment	4	7,928,535	8,361,018
Depreciation of Investment properties	5	167,530	167,374
Amortization of intangible assets	6	195,126	197,432
Depreciation of right-of-use assets	7	14,501,806	11,516,693
Gain \ disposal sell of property and equipment		(25,589)	10,502
Impairment of accounts receivables	8-1	1,085,371	2,294,348
Finance costs	16	9,735,546	11,068,787
Provision for employees' post-employment benefits		3,037,223	2,168,700
		<u>48,371,527</u>	<u>70,157,144</u>
Changes in operating assets and liabilities			
Inventory		(572,916)	42,398
Accounts receivables		31,801,202	8,398,689
Prepayments and other receivables		(5,328,990)	12,720,949
Accounts payables		(3,440,773)	(2,395,104)
Unearned revenue		20,601,863	30,845,637
Due to related party		2,484,316	(5,892,209)
Accruals and other payables		(2,824,882)	(2,393,002)
Cash generated from operating activities		<u>91,091,347</u>	<u>111,484,502</u>
Employees' post-employment benefits paid		(1,648,123)	(3,031,144)
Finance costs paid		(2,613,942)	(6,018,577)
Zakat paid	14-2	(1,810,241)	(1,673,158)
Net cash generated from operating activities		<u>85,019,041</u>	<u>100,761,623</u>
Cash flows from investing activities			
Additions to property and equipment	4	(3,629,872)	(9,166,100)
Proceeds from sale of property and equipment		27,700	65,784
Net cash used in investing activities		<u>(3,602,172)</u>	<u>(9,100,316)</u>
Cash flows from financing activities			
Proceeds from loans	12-2	108,288,888	45,272,128
Repayments of loans	12-1/12-2	(101,441,417)	(73,236,000)
Revenue from deferred government grants		(256,356)	(283,109)
Dividends paid	11	(39,831,260)	(39,694,174)
Lease liabilities paid	7	(10,947,294)	(9,598,294)
Net cash used in financing activities		<u>(44,187,439)</u>	<u>(77,539,449)</u>
Net change in cash and cash equivalents		<u>37,229,430</u>	<u>14,121,858</u>
Cash and cash equivalents at beginning of the period		<u>2,394,383</u>	<u>7,053,316</u>
Cash and cash equivalents at the end of the period		<u>39,623,813</u>	<u>21,175,174</u>

Supplemental non-cash transactions 21

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

Adel Nader

Chief Executive Officer

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Chairman of Board of Directors

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ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the six-month period ended 31 January 2021**

(Saudi Riyals)

1. LEGAL STATUS AND OPERATIONS

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

The Company's principal activities include the establishment, own, manage, and operate, national and international schools (kindergarten, primary, middle and secondary schools) for boys and girls (General and Quran memorization schools) and colleges and universities inside and outside the Kingdom of Saudi Arabia .Establishing, managing, and maintaining training centers and purchasing, developing, and managing existing schools and educational and training facilities. And to own, manage, and operate educational and training institutes, vocational training centers, and establish, own, and manage special education schools. The Company carries out its activities according to the followed regulations and after obtaining the necessary licenses from the competent authorities.

The Company's head office is located at the following address:

P.O. Box 87527

Riyadh 11652

Kingdom of Saudi Arabia

In accordance with the Company, By-Laws the financial year of the Company commences on 1 August and ends at 31 July.

The accompanying interim condensed consolidated financial statement include the company account and its branches as follows:

<u>Branch name</u>	<u>CR No.</u>
Al-Rowad Schools (Izdihar branch)	1010362199
Al-Rowad Schools (Al Rawabi branch)	1010275978
Al-Rowad Schools (Al Mansoura branch)	1010397500
Al-Rowad Private School, (Al Rawda branch)	1010203258
Al-Rowad School (Ishbilia branch)	1010469726
Rowad Ishbilia International School Ataa Company branch	1010450854
Al Fikr Private School	1010192540
Middle East International School	1010192541
New Middle East International School	1010250798
Modern Middle East International School	1010352008
Al Sulaymaniyah International Private School	1010196919
Ataa for Maintenance and Operation Company Branch	1010452144

These interim condensed consolidated financial statements include the financial statements of the Company, its branches and the following subsidiaries with direct or indirect ownership of 100% of their share capital (collectively referred to as the "Group"):

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Legal form</u>	Effective shareholding	
			<u>As on 31 January 2021</u>	<u>As on 31 July 2020</u>
Al Nokhbah Educational Company (1)	Kingdom of Saudi Arabia	A limited liability company	100%	100%
Al Oruba International Company for Education Services (2)	Kingdom of Saudi Arabia	A limited liability company	100%	100%
Al-Rowad Company for Supporting Services (3)	Kingdom of Saudi Arabia	A limited liability company	100%	100%

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 31 January 2021

(Saudi Riyals)

1. **LEGAL STATUS AND OPERATIONS (CONTINUED)**

- (1) The Nokhbah Educational Company is a limited liability company, established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010231261 on 26 Rabi Al-Awwal, 1428 H corresponding to 14 April 2007.

The principal activity of The Nokhbah Educational Company is to own private schools for all levels kindergarten – /preparatory/ primary / middle/ secondary for boys and girls, wholesale and retail trade in educational materials and aids, and the company exercises its activity after obtaining the necessary licenses from the competent authorities.

The company carries out its activities through (Al-Kharj Branch), as follows:

Name of branch	CR No.
The Nokhbah Schools (Al-Ishraq previously)	1011010525

- (2) Al Oruba International Company for Education Services is a limited liability company, established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010259834 on 25 Dhual-Hijjah 1429 H corresponding to 24 December 2008.

The principal activity of Al Oruba International Company for Education Services is to establish American curriculum schools, establish manage and operate international schools, language and translation institutes, educational training centers, private institutes and colleges, and computer centers.

- (3) Al-Rowad Company for Supporting Services is a limited liability company established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010299500 on 19 Muharram 1432 H corresponding to 25 December 2010.

The principal activity of Al-Rowad Company for Supporting Services is in general contracting for buildings, establishing schools operating school canteens, and trading in stationery, furniture and building materials.

On 22 Jumada Al-awwal 1439 H corresponding to 7 February 2018 the Company opened a new branch and registered in Riyadh under Commercial Registration No. 1010933937 and the principal activity of the branch is in maintenance and operation.

In reference to the events related to the spread of Corona virus (Covid-19) and its repercussions on the business sector locally and internationally, the Group is committed in applying the recent directives of the relevant authority. The Group has taken the necessary measures to ensure the health and safety of the group employees and contribute to limiting the spread of the pandemic. The Group seeks to benefit from the initiative and decisions adopted and presented by the Kingdom in order to mitigate the negative effects of Covid-19. The Group was affected similarly to other educational entities during the six-months period ended on 31 January 2021, due to the difficulty in determining the time period for the pandemic, it is difficult for the group to determine the financial impact of the pandemic, however, the Group will continue to monitor the situation in this regard and any changes will be reflected in future reporting periods.

2. **BASIS OF PREPARATION AND MEASUREMENT**

2-1 Basis of compliance

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's annual financial statements as of and for year ended 31 July 2020. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual statements to prepare a complete set of financial statements; however, the accounting policies and explanatory notes are mentioned to explain events and the important transaction to understand the changes in the Group's financial position and its performance since the last annual financial statement of the Group.

The results for the six-months period ended 31 January 2021 are not necessarily indicative of the results that can be expected for the financial year ending 31 July 2021.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 31 January 2021

(Saudi Riyals)

2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-2 Basis of measurement

These interim condensed consolidated financial statements have been prepared on historical cost basis except for employees' benefits obligations and the borrowing granted by the Ministry of Finance, as they are recognized at the present value of future obligation using the projected unit credit method, using the accrual basis of accounting and going concern concept.

As at 31 January 2021, the Group's current liabilities exceeded its current assets by SR 125,571,552 (31 July 2020: SR 90,312,176) on account of the balance of borrowing and right-of-use liabilities amounting to SR 138,346,617 and SR 22,029,241, respectively (31 July 2020: SR 115,903,299 SR 23,320,268). Despite the deficit in working capital, the Group generated operating cash flow of SR 85,019,041 which is an indication of the Group's ability to meet its obligations. The management also believes that it is able to benefit from new facilities, if required. Accordingly, the interim condensed consolidated financial statements have been prepared on the basis of the going concern concept, the borrowings continue to be classified according to original payment term.

2-3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group, all figure have been rounded off to nearest Saudi riyals unless otherwise mentioned.

2-4 Basis of consolidation

The interim condensed consolidated financial statements comprise from the parent company and its subsidiaries financial statement for the three-month and six-month periods ended 31 January 2021. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the over voting holders of the investee
- Rights arising from other contractual arrangements
- The Groups voting rights and potential rights

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 31 January 2021

(Saudi Riyals)

2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-4 Basis of consolidation (continued)

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

2-5 Use of estimates and assumptions

The preparation of these interim condensed consolidated financial statements required management to make judgments, estimates and assumptions that affect the application of policies and reported amounts, liabilities, revenues, and expenses. Actual results may differ from these estimates.

The significant estimates made by management when applying the Company's accounting policies and the significant sources of estimation uncertainties were the same as those shown in the last annual financial statements.

As explained in note 1 above, the Group has reviewed the main sources of estimates of uncertainty that have been disclosed in the last annual financial statements against the backdrop of the Covid-19 pandemic. Management will continue to monitor the situation and any required changes that will be reflected in future reporting periods.

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the interim condensed consolidated financial statements are in line with the policies followed in preparing the annual consolidated financial statements of the Group for the year ended 31 July 2020.

3-1 New standards, amendment to on standards and interpretations

3-1-1 New standards, amendment to on standards and interpretations the Group approved

No new standards have been issued, but there are amendments to the standards, and these amendments are effective as of January 1, 2020, as follows:

- Amendments to the International Financial Reporting Standard No. (3) "Business Combinations".
- Amendments to the International Accounting Standard No. (1) "Presentation of Financial Statements".
- Amendments to the International Accounting Standard No. (8) "Accounting Policies, and Changes in Accounting Estimates and Errors".
- Amendments to the International Reporting Standard No. (16) "Leases Contracts" response to Covid-19 effects on renters.

Amendments to International Financial Reporting Standard No. (16) "Lease Contracts" regarding the response to the effects of Covid-19 on tenants added a practical means of accounting treatment, as the International Accounting Standards Board issued amendments to IFRS No. (16) that allow the renters to choose what if the effects of Covid-19 on the related contract are to be modified, the entities that apply the amendments to IFRS No. (16) must disclose that they have applied the amendments, and they must also disclose whether they have used the practical means for accounting treatment.

The management believes that the impact of these amendments is not material on the Group's consolidated financial statements for the period ended on January 31, 2020, with the exception of amendments to IFRS 16 "Lease Contracts" in response to the effects of Covid-19 on renters.

ATAA EDUCATIONAL COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 31 January 2021

(Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-1 New standards, amendment to on standards and interpretations (continued)

3-1-2 The new revised International Financial Reporting Standard issued but no affective yet

The new standards are effective for annual periods that start from January 1, 2021 and early application of these standards is permitted. However, the Group did not early apply any of the new or revised standards in preparing these consolidated financial statements.

Management does not believe that the following revised standards and interpretations will have a material impact on the Group's consolidated financial statements.

- Amendments to the International Accounting Standard No. (1) "Presentation of Financial Statements" whereby the amendments clarify that liabilities are classified as current or non-current based on the rights at the end of the reporting period. The classification is not affected by the Group's expectations or events that occur after the reporting period (such as waivers or non-compliance with commitments), the amendment also clarifies what is meant when it refers to "settlement" of liabilities.
- Amendments to the International Financial Reporting Standard No. (3) "Business Combinations" where the update was made to refer to the standard for the conceptual framework for financial reports without changing the accounting requirements for business combinations.
- Amendments to the International Accounting Standard No. (16) "Property, Plant and Equipment" whereby the standard prohibits the company from deducting from the cost of property, plant and equipment the amounts received from selling items produced during the Company's preparation of the asset for its intended use. Instead, the Group will recognize the sales these proceeds and related costs are included in the consolidated statement of profit or loss.
- Amendments to the International Accounting Standard No. (37) "Provisions, Contingent Liabilities and Contingent Assets," whereby the standard specifies the costs to be included in the Company when assessing whether the contract will result in any losses.

As a practical means, the adjustment allows renters not to assess whether the specific rent concessions that is occurring as a direct result of the COVID-19 pandemic are rent adjustments and instead calculate these rent concessions as if they weren't rent adjustments. The group has applied a practical way to lease contracts that meets the conditions. The rent concessions of SR 930,000 for the lease contract is recognized in the interim consolidated statement of profit or loss over the period of concessions.

3-2 Fair value measurement

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

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

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 31 January 2021

(Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-2 Fair value measurement (continued)

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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

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

At each reporting date, the Group analyses the changes in the values of assets and liabilities required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the primary inputs applied in the latest valuation by corresponding the information to contracts and other relevant documents in the evaluation. 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 fair-value disclosures, the Group has determined classes of assets and liabilities based on nature, characteristics, and risks of the asset or liability and the fair value hierarchy level as explained above.

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4. PROPERTY AND EQUIPMENT

	31 January 2021 (unaudited)						31 July 2020 (audited)	
	Lands	Buildings and Construction	Equipment and electric tools	Motor vehicles	Furniture and fixture	Projects in progress	Total	Total
Cost								
At beginning of the period / year	154,810,372	366,915,109	33,203,421	28,942,832	35,766,164	5,108,082	624,745,980	626,850,888
Additions during the period / year	-	155,000	975,671	-	1,156,449	1,342,752	3,629,872	15,175,264
Transferred from projects in progress during the period / year	-	2,288,953	-	-	-	(2,288,953)	-	-
Transferred from project in progress to intangible assets during the period / year	-	-	-	-	-	-	-	(1,570,880)
Disposal during the period / year	-	-	(1,301,881)	-	(623,758)	-	(1,925,639)	(15,709,292)
At the end of the period / year	154,810,372	369,359,062	32,877,211	28,942,832	36,298,855	4,161,881	626,450,213	624,745,980
Accumulated depreciation								
At beginning of the period / year	-	45,472,737	25,807,802	27,399,814	26,481,869	-	125,162,222	124,523,503
Charged for the period / year	-	4,360,641	1,870,392	269,617	1,427,885	-	7,928,535	16,271,705
Disposal for the period / year	-	-	(1,301,537)	-	(621,992)	-	(1,923,528)	(15,632,986)
At the end of the period / year	-	49,833,378	26,376,658	27,669,431	27,287,762	-	131,167,229	125,162,222
Net book value:								
As at 31 January 2021	154,810,372	319,525,684	6,500,553	1,273,401	9,011,093	4,161,881	495,282,984	
As at 31 July 2020	154,810,372	321,442,372	7,395,619	1,543,018	9,284,295	5,108,082		499,583,758

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4. PROPERTY AND EQUIPMENT (CONTINUED)

- As of 31 January 2021, lands and buildings valued at SR 79,478,522 million (2020: SR 94,463,130 million) are pledged as collateral in exchange for obtaining borrowing facilities as shown in Note (12).
- Property and equipment include buildings and constructions built on leased lands from ALBR Charity in Riyadh and Charity Centre for Teaching the Holy Qur'an And Its Science. These lands represent 60% of the land of the Al-Rowad Schools in Al-Izdihar Complex, and the net carrying amount of these buildings reached 35,977,473 Saudi Riyals. The lease agreement with the ALBR Charity provides for ALBR Charity's entitlement to 30% of any buildings or expansions that the group undertakes on these leased lands. Therefore, the entire value of additions and improvements made to the buildings has been included, with a total cost of 48,899,558 Saudi Riyals, including ALBR Charity's share of 14,669,867 Saudi Riyals, given that the group incurred these costs and has the right to benefit from them under the contract.
- The annual rental value to ALBR Charity is 2,500,000 Saudi riyals ,and the Charity Centre for Teaching the Holy Qur'an And Its Science is 3,796,587Saudi Riyals.
- The lease contract with the Charity Centre for Teaching the Holy Qur'an And Its Science expires on 30\12\1451H corresponding to 3 May 2030. These buildings are depreciated over the expected useful life of 50 years, which exceeds the term of the lease contracts as the management believes ,considering the information and other data available to it ,that it is able to renew the lease contracts in accordance with the circumstances and needs of the activity.
- As of 31 January 2021, projects under construction amounting SR 4,161,881 (2020 :SR 5,108,082) are represented in construction projects of an educational complex located in Izdihar district and buildings development works.

5. INVESTMENT PROPERTIES

	31 January 2021 (unaudited)			31 July 2020 (audited)
	Lands	Buildings	Total	Total
<u>Cost</u>				
Balance at the beginning of the period / year	22,380,500	16,616,375	38,996,875	38,996,875
Balance at the end of the period / year	22,380,500	16,616,375	38,996,875	38,996,875
<u>Accumulated depreciation</u>				
Balance at the beginning of the period / year	-	1,244,826	1,244,826	912,499
Charged for the period / year	-	167,530	167,530	332,327
Balance at the end of the period / year	-	1,412,356	1,412,356	1,244,826
<u>Net book value:</u>				
As at 31 January 2021	22,380,500	15,204,019	37,584,519	
As at 31 July 2020	22,380,500	15,371,549		37,752,049

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6. INTANGIBLE ASSETS

	<u>31 January 2021 (unaudited)</u>			31 July 2020 (audited)
	<u>Goodwill*</u>	<u>Computer programs</u>	<u>Total</u>	<u>Total</u>
<u>Cost</u>				
Balance at the beginning of the period / year	376,399,169	1,570,880	377,970,049	376,399,169
Transferred from property and equipment	-	-	-	1,570,880
Disposals	-	(130,000)	(130,000)	
Balance at the end of the period / year	376,399,169	1,440,880	377,840,049	377,970,049
<u>Accumulated amortization</u>				
Balance at the beginning of the period / year	-	392,720	392,720	-
Charged for the period / year	-	195,126	195,126	392,720
Disposals	-	(46,036)	(46,036)	-
Balance at the end of the period / year	-	541,810	541,810	392,720
<u>Net book value:</u>				
As at 31 January 2021	376,399,169	899,070	377,298,239	
As at 31 July 2020	376,399,169	1,178,160		377,577,329

*Goodwill represents the difference between the net assets transferred to the group from the merging and acquired companies and the value of those companies at the date of the acquisition.

7. RIGHT-OF-USE ASSETS, NET

	<u>31 January 2021 (unaudited)</u>	<u>31 July 2020 (audited)</u>
Right-of-use asset at the beginning of the period / year	284,677,430	226,866,784
Assets recognized during the period / year	65,198,999	57,810,646
Balance at the end of period / year	349,876,429	284,677,430
<u>Accumulated depreciation</u>		
Balance at the beginning of the period / year	25,648,488	-
Charged during the period / year	14,501,806	25,648,488
Balance at the end of period / year	40,150,294	25,648,488
Net book value as at 31 January 2021	309,726,135	
Net book value as on 31 July 2020		259,028,942
<u>Lease liabilities on right-of-use assets</u>		
	<u>31 January 2021 (unaudited)</u>	<u>31 July 2020 (audited)</u>
Lease liabilities as at the beginning of the period / year	281,211,005	244,518,926
Additions during the period / year	65,198,999	57,810,646
Interest charged during the period / year (note 16)	6,062,664	11,364,021
Paid during the period / year	(10,947,294)	(20,044,724)
Due to the lessor and did not paid until the end of the period / year*	(8,846,000)	(12,437,864)
	332,679,374	281,211,005

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7. RIGHT-OF-USE ASSETS, NET (CONTINUED)

*Due to lessors and has not been paid yet classifies as follows:

As at 31 January 2021, an amount of SR 2,796,000 is in accrued account due to related parties to the account of Dr. Ahmed bin Nasser AL-Mutaib 6,050,000 to Mutlaq Al Hnaki account in the accruals and other payable account (31 July 2020: amounting to SR 12,437,864 which is SR 8,939,864 in an account due to related parties to the account of Dr. Ahmed bin Nasser Al-Mutaib and SR 3,498,000 in an account payable to Prince Abdullah bin Musaed Al Saud account).

Lease liabilities recognized in the interim consolidated statement of financial position as follows:

	31 January 2021 (unaudited)	31 July 2020 (audited)
Non-current	310,650,133	275,890,737
Current	22,029,241	23,320,268
Lease liabilities under right-of-use assets	332,679,374	281,211,005

8. ACCOUNTS RECEIVABLES

	31 January 2021 (unaudited)	31 July 2020 (audited)
Accounts receivables	49,480,249	81,281,451
Provision for impairment in accounts receivables	(5,442,186)	(4,356,815)
	44,038,063	76,924,636

8-1 Provision for impairment in accounts receivables as follows:

	31 January 2021 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	4,356,815	1,959,308
Charged during the period / year	1,085,371	9,010,960
Used during the period / year	-	(6,613,453)
Balance at the end of the period / year	5,442,186	4,356,815

9. SHARE CAPITAL

The Group's authorized and paid capital is SR 400 million as at 31 January 2021 (31 July 2020: SR 400 million) divided into 40 million shares (31 July 2020: 40 million shares) with the value of 10 Saudi Riyals per share.

9-1 Premium

In accordance with the resolution of the Extraordinary General Assembly, which was held on 2 Dhul-Hijjah 1436 H corresponding to 15 September 2015 the Company capital increase was approved amounting to SR 74.4 million by issuing new shares amounting to 7.4 million shares with a nominal value of 10 riyal per share and share premium of 28.17 Saudi Riyals per share, provided that the increase is developed in favour of the partners in JARIR National Schools Complex Company for Boys and Girls.

10. STATUTORY RESERVE

In accordance with the Group's By-laws and Saudi Arabian Regulations for Companies, 10% of the annual net income is transferred to the statutory reserve until such reserve equals 30% of share capital. The statutory reserve is not available for distribution; however, it can be used to increase the share capital after approval of the shareholders.

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11. DIVIDENDS

On 27 Jumada Al-Awwal 1442 AH corresponding to January 11, 2021, the Ordinary General Assembly resolved to distribute dividends in the amount of 40 million Saudi riyals at a value of one Saudi riyal per share (January 2020: 40 million Saudi riyals at a value of one Saudi riyal per share).

12. BORROWINGS

Borrowings are represented as follows:

12-1 Loan from Ministry of Finance

On 5 Muharram 1436H (corresponding to 29 October 2014), the Group obtained a long-term facility from the Ministry of Finance amounting to of SR 19.03 million to finance contracting and construction works needed to build the educational complex in Mansoura District. This facility is repaid in ten annual installments after the grace period which is estimated as four years from the signing date of the agreement. The last installment of the loan is payable on 10 June 2028. This agreement has been granted without a margin or commission.

Collaterals

These facilities are secured by mortgage of the land of staff accommodation villa located in Al Rawabi District of SR 1,289,010 (31 January 2020: 1,273,618 SR) and the land located in Al Salam District of SR 20,099,200 (31 January 2020: 20,099,200 SR) Note (4).

Loans movement granted by the Ministry of Finance during the period / year is as follows:

	31 January 2021 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	15,230,400	17,134,200
Repayments during the period / year	(1,903,800)	(1,903,800)
Balance at end of the period / year	13,326,600	15,230,400

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

	31 January 2021 (unaudited)	31 July 2020 (audited)
Loan at the end of the period / year	13,326,600	15,230,400
<u>Less: deferred finance expenses</u>		
Balance at the beginning of the period / year	(2,412,593)	(2,978,813)
Finance expenses for the period / year	256,356	566,220
Balance at end of the period / year	(2,156,237)	(2,412,593)
Present value of loans at the end of the period / year	11,170,363	12,817,807

12-2 Borrowings from local banks

The Group signed facility agreements with several local banks in the form of Islamic Murabaha and conventional loans with a total of SR 537,326,888. These facilities were granted with profit margin and commission on the facilities determined by the rate of return on internal borrowings between Saudi banks (SIBOR) plus an agreed rate, these facilities are secured by lands and real estates with amounting SR 58,090,312 (31 January 2020: 73,090,312 SR) and (5) Promissory notes amounting SR 544,887,392, the agreements with banks contain bank covenants, such covenants are monitored on monthly basis by the management, in the case of a breach or a possible breach of these covenants, action are taken by the management to ensure that these conventions are fulfilled.

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12. BORROWINGS (CONTINUED)

12-2 Borrowings from local banks (continued)

The movements is as follows:

	31 January 2021 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	144,512,347	166,614,010
Finance that has been obtained during the period / year	108,288,888	106,928,543
Accrued finance expenses	802,584	1,721,948
Payments during the period / year	(99,537,617)	(130,752,154)
Total loans from local banks at the end of the period / year	154,066,202	144,512,347

Details of the borrowings are presented in the interim consolidated statement of financial position as at:

	31 January 2021 (unaudited)	31 July 2020 (audited)
Current portion from loans*	138,346,617	115,903,299
Non-current portion from loans*	26,889,948	41,426,855
	165,236,565	157,330,154

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

13. DEFERRED REVENUE FROM GOVERNMENT GRANTS

	31 January 2021 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	2,412,593	2,978,813
Movements during the period / year	(256,356)	(566,220)
	2,156,237	2,412,593
Current portion from deferred government grants revenue	484,890	512,712
Non-current portion from deferred government grants revenue	1,671,347	1,899,881

14. ZAKAT PROVISION

14-1 Zakat status

The Group submitted their declarations to the General Authority for Zakat and Tax (“GAZT”) until the year ended 31 July 2020 and obtained a certificate from GAZT valid until 25 Rabi Al-Thani 1443H corresponding to 30 November 2021.

14-2 Zakat provision movement

	31 January 2021 (unaudited)	31 July 2020 (audited)
Balance at the beginning of the period / year	1,810,241	1,673,699
Charged during the period / year	438,611	1,809,700
Paid during the period / year	(1,810,241)	(1,673,158)
Balance at end of the period / year	438,611	1,810,241

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15. RELATED PARTIES TRNSACTIONS AND BALANCE

The transactions with related parties are represents the rental value of educational complexes, contracting services, salaries, remunerations and compensations of board of directors members and senior executives and senior management that took place during the period between the Group and one of the shareholders, and between the Group and board of directors members and senior executives and management, and these transactions take place in the context of the Group's ordinary course of business and according to the same basis transaction with others. Transactions with related parties and the resulting balances are as follows:

	Nature of relationship	Nature of transaction	Saudi Riyals	
			31 January 2021	31 January 2020
Dr. Ahmed bin Nasser Al-Mutaib	Shareholder and BOD member	Leases	6,594,275	4,252,745
Al Qasabi Contracting Company Limited	Shareholder of the Company	Contracting services	-	1,602,921
Senior executives and director	Senior executives	Salaries and compensations Employee's post-employment benefits and employee's benefits	1,147,200	1,157,488
Board of Directors members	Board of Directors	Board of Directors benefits and allowances	320,600	447,591
			1,217,000	1,217,000

15-1 Due to a related party

	31 January 2021 (unaudited)	31 July 2020 (audited)
Dr. Ahmed bin Nasser Al-Mutaib	14,420,178	9,139,862
	14,420,178	9,139,862

16. FINANCE COSTS

	31 January 2021	31 January 2020
Interest on right-of-use assets liabilities (Note 7)	6,062,664	5,575,867
Finance costs on borrowings	3,672,882	5,492,920
	9,735,546	11,068,787

17. BASIC AND DILUTED EARNINGS PER SHARE

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

	For the three-month period ended 31 January		For the Six-month period ended 31 January	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Income for the period	6,390,581	17,283,294	11,307,368	33,535,710
Weighted average number of shares	40,000,000	40,000,000	40,000,000	40,000,000
	0.16	0.43	0.28	0.84

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18. FINANCIAL INSTRUMENTS

18-1 Financial assets

	<u>31 January 2021</u>	<u>31 July 2020</u>
Financial assets at amortized cost:		
Accounts receivable	44,038,063	76,924,635
Cash and cash equivalents	39,623,813	2,394,383
Total financial assets at amortized cost	83,661,876	79,319,018

18-2 Financial liabilities

	<u>31 January 2021</u>	<u>31 July 2020</u>
Financial liabilities at amortized cost:		
Borrowings	165,236,565	157,330,154
Accounts payable	1,525,285	5,050,022
Total financial liabilities at amortized cost	166,761,850	162,380,176
Current portion of financial liabilities	139,871,902	120,953,321
Non-current portion of financial liabilities	26,889,948	41,426,855
Total financial liabilities	166,761,850	162,380,176

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

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19. SEGMENT REPORTING

The Group's revenues of SR 124,413,809 are concentrated in tuition fees representing 100% of total revenues for the six-month period ended 31 January 2021 (six-month period ended 31 January 2020: SR 165,589,613). Accordingly, all the Group's assets and liabilities are dedicated for education sector.

Information related to operating segments of the Group mentioned below are regularly reported to Operating Decision Makers in the Group are described as follows:

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

For the six-month period ended 31 January 2021

	<u>Private schools</u>	<u>International schools</u>	<u>Indian schools</u>	<u>French schools</u>	<u>Total</u>
Revenue	63,823,130	37,310,034	19,382,020	3,898,625	124,413,809
Cost of revenue	(50,468,134)	(27,100,659)	(13,274,174)	(3,198,783)	(94,041,750)
Gross profit	<u>13,354,996</u>	<u>10,209,375</u>	<u>6,107,846</u>	<u>699,842</u>	<u>30,372,059</u>
Property and equipment	412,055,379	74,712,792	7,286,413	1,228,400	495,282,984
Depreciation	<u>(5,347,224)</u>	<u>(1,676,177)</u>	<u>(740,820)</u>	<u>(164,314)</u>	<u>(7,928,535)</u>

For the six-month period ended 31 January 2020

	<u>Private schools</u>	<u>International schools</u>	<u>Indian schools</u>	<u>French schools</u>	<u>Total</u>
Revenue	99,510,233	43,082,171	18,384,928	4,612,281	165,589,613
Cost of revenue	(66,544,831)	(29,410,013)	(15,425,370)	(3,797,778)	(115,177,992)
Gross profit	<u>32,965,402</u>	<u>13,672,158</u>	<u>2,959,558</u>	<u>814,503</u>	<u>50,411,621</u>
Property and equipment	420,641,807	71,674,545	7,945,790	1,223,159	501,485,301
Depreciation	<u>(5,721,725)</u>	<u>(1,635,930)</u>	<u>(783,093)</u>	<u>(220,270)</u>	<u>(8,361,018)</u>

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19. SEGMENT REPORTING - (CONTINUED)**Reconciliation of information on reportable segments to net income of the Group before Zakat**

	<u>31 January 2021</u>	<u>31 January 2020</u>
Gross profit from reported segment	<u>30,372,059</u>	<u>50,411,621</u>
<u>Unallocated amount:</u>		
Other income	3,613,437	8,372,220
Impairment of accounts receivable	(1,085,370)	(2,294,348)
General and administrative expenses	(11,418,601)	(11,048,416)
Finance costs	(9,735,546)	(11,068,787)
Total unallocated amount	<u>(18,626,080)</u>	<u>(16,039,331)</u>
Income before zakat	<u>11,745,979</u>	<u>34,372,290</u>

20. CONTINGENT LIABILITES AND CAPITAL COMMITMENTS

	<u>31 January 2021</u>	<u>31 July 2020</u>
Uncovered letter of guarantee	2,055,600	2,055,600
Suppliers	-	3,668,811
	<u>2,055,600</u>	<u>5,724,411</u>

21. NON-MONETARY TRANSACTIONS

	<u>31 January 2021</u>	<u>31 July 2020</u>
Additions to right to use assets against lease contract obligations	65,198,999	268,339,680
Transferring from lease contract liabilities to other receivables and payables	6,050,000	-
Transferred from lease liabilities to due to a related party	2,796,000	-
Actuarial gain / (loss) from re-measuring end-of-service benefits	407,575	(1,254,400)
Dividends against receivables and other payable	168,740	305,826
Disposal of intangible assets against payable	83,964	-
Transferred from under construction projects to property and equipment	-	80,649,890
Transferred from under construction projects to intangible assets	-	1,570,880

22. RECLASSIFYING PRIOR PERIOD FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

23. SUBSEQUENT EVENTS

On 27 Jumada al-Akher 1442H corresponding to February 9, 2021, the Group signed a binding memorandum of understanding (the "Memorandum") with the Arab Group for Education and Training Company to acquire 100% of the company's shares in exchange for cash and shares in the Company. The consideration for the acquisition will be a cash amount of 75% of the transaction value and ownership shares in the Company at 25% of the transaction value. This memorandum is subject to .completion of various professional and assessments and regulatory approvals

24. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved for the period ended on 31 January 2021 by the Audit committee under an authorization of the Board of Directors on 19 Rajab 1442H corresponding to 3 March 2021.