NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 August 2019
Together with the
Independent auditor's report

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 August 2019

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

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

Licence No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

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

Opinion

We have audited the financial statements of **National Company for Learning and Education** ("the Company"), which comprise the statement of financial position as at 31 August 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 August 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
Recognition of educational services revenue With reference to the accounting policy relating to the revenue recognition, as well as note (20) relating to revenue disclosures, the revenues from tuition fees for the Company for the year ended at 31 August 2019 amounted to SR 193 million. Revenue is a key indicator of performance measurement, resulting in inherent risks in the revenue recognition process through revenue overstatements. Revenue is recognized when educational services are provided to registered students. Due to the inherent risks in the revenue recognition process and due to the significance of revenue value of educational services, revenues was considered as a key audit matter.	We have performed the following procedures among other things: • Assessing the appropriateness of the revenue recognition policy under IFRS (15) "Revenue from Contracts with Customers". • Assessing the design and implementation, and testing the operating effectiveness of controls relating to the management's processes over revenue recognition. • Performing a test of a sample of recorded revenue transactions and compared them with supporting documents to verify the existence of recorded revenue. • Performing analytical reviews based on the number of students and approved fees for the educational process to evaluate the reasonableness of the amount of revenue per the financial statements. • Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. • Evaluating the appropriateness of the disclosures made in the financial statements.

The key audit matter	How the matter was addressed in our audit
Impairment of goodwill With reference to the accounting estimates and assumptions as well as note (7) relating to goodwill disclosures. The financial statements included goodwill of SR 11.3 million as at 31 August 2019, which represents the excess of the consideration paid over the fair value of net assets acquired by the Company. The Company conducts an annual test of impairment of goodwill including its related assets, "cash-generating unit", to verify the existence of impairment in accordance with the requirements of IAS (36) "Impairment of Assets". Determination of the recoverable amount of an asset or cash-generating unit requires the management to make significant assumptions. We considered impairment of goodwill to be a key audit matter due to the high level of estimates and assumptions used in determination of impairment of goodwill.	We have performed the following procedures among other things: • Obtained an understanding of the methodology adopted by the management in determining the cash-generating unit and existence of impairment of goodwill and assessing whether this methodology is consistent with the requirements of IAS (36) and those used in this industry. • Assessing the design and implementation and testing the operating effectiveness of controls relating to the management's processes over impairment of goodwill. • Assessing the key assumptions used by management related to revenue growth rate, gross profit margin, and long-term growth rate, taking into account current and future economic conditions of the cash-generating units. We also compared the key assumptions to the previous actual results. • Assessing the reliability of management's forecast through a review of actual performance against forecasts used by management; • Reviewing the key assumptions used by management to calculate the value in use by our specialists. We also conducted the sensitivity analysis related to these key assumptions. • Evaluating the appropriateness and adequacy of the disclosures made in the financial statements.

Independent Auditor's Report (Continued)

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

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
Adoption of IFRS (9) including measurement of expected credit losses. As stated in note (4.G) to the financial statements, as of 1 September 2018, the Company has adopted IFRS (9) which replaces the provisions of IAS (39) in relation to the recognition, classification and measurement of financial assets and financial liabilities; in addition to introducing new methods of accounting methods for impairment of financial assets and hedge accounting. As at 31 August 2019, gross accounts receivable amounted to SR 45.4 million against which impairment losses of SR 14.4 million were recognized. In accordance with the requirements of IFRS (9), the Company has applied expected credit losses model to calculate the impairment of account receivable balances. Due to the determination of impairment of accounts receivable values using expected credit loss model that includes significant judgments and estimates that could have a material impact on the financial statements of the Company, upon adopting IFRS (9), including the use of the expected credit loss model, this area was considered as a key audit matter.	We have performed the following procedures among other things: • Obtained an understanding of the methodolgy adopted by the management in testing of impainment of account receivable balances and applying expected credit losses model and related assumptions. • Examining a sample of accounts receivable balances for which impairment has been calculated during the year to estimate the reasonableness of estimates used by the Company's management. • Involving our specialists to test the assumptions used to calculate the impact of future economic conditions on impairment of account receivable balances. • Evaluating the adequacy of the disclosures that the management has included in the financial statements.

Independent Auditor's Report (Countinued)

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance, i.e board of director and audit committee.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e board of director and audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, i.e board of director and audit committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **National Company for Learning and Education ("Company").**

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

From the matters communicated with those charged with governance, i.e board of director and audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371

Date: 15 Rabi' al Awwal 1441H
Corresponding to: 12 November 2019

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 August 2019
(Amounts in Saudi Riyals)

	Notes	**31 August 2019**	31 August 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	**440,940,383**	389,610,238
Intangible assets	7	**11,906,384**	12,130,901
Total non-current assets		**452,846,767**	401,741,139
Current assets			
Inventories		**1,144,078**	1,911,430
Accounts receivable	8	**31,007,029**	32,491,848
Prepayments and other debit balances	9	**16,655,687**	15,806,858
Cash and cash equivalents	10	**240,045,569**	37,280,096
Total current assets		**288,852,363**	87,490,232
Total assets		**741,699,130**	489,231,371
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**430,000,000**	300,000,000
Share premium	18	**100,985,697**	--
Statutory reserve	19	**23,268,013**	18,228,764
Retained earnings		**51,284,897**	24,508,165
Total equity		**605,538,607**	342,736,929
LIABILITIES			
Non-current liabilities			
Non-current portion of Islamic Murabaha and Ministry of Finance loans	11	**34,433,917**	44,543,725
Employees' benefits	16	**42,237,700**	44,870,000
Non-current portion of deferred revenue of government grants	12	**957,635**	1,993,285
Total non-current liabilities		**77,629,252**	91,407,010
Current liabilities			
Current portion of long-term Islamic Murabaha and Ministry of Finance loans	11	**15,409,058**	17,684,545
Advance revenue	13	**31,802,103**	29,954,366
Accounts payable		**1,300,645**	1,017,866
Current portion of deferred revenue of government grants	12	**1,035,650**	1,239,837
Accrued expenses and other credit balances	14	**7,120,277**	3,641,385
Zakat provision	15	**1,863,538**	1,549,433
Total current liabilities		**58,531,271**	55,087,432
Total liabilities		**136,160,523**	146,494,442
Total equity and liabilities		**741,699,130**	489,231,371

The accompanying notes 1 through 33 form an integral part of these financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
For the year ended 31 August 2019
(Amounts in Saudi Riyals)

	Notes	**31 August 2019**	31 August 2018
Revenue	20	**197,942,786**	204,270,505
Government grants and subsidies	21	**9,395,934**	15,686,241
Cost of revenue	22	**(120,010,752)**	(137,617,853)
Gross profit		**87,327,968**	82,338,893
Marketing and advertising expenses		**(1,718,092)**	(816,812)
General and administrative expenses	23	**(31,856,225)**	(26,813,721)
Impairment losses of account receivables	8	**(4,611,033)**	--
Other income	24	**4,855,663**	2,134,487
Operating income		**53,998,281**	56,842,847
Finance costs, net	25	**(1,742,257)**	(6,419,079)
Net income for the year before Zakat		**52,256,024**	50,423,768
Zakat	15	**(1,863,538)**	(1,549,439)
Net income for the year		**50,392,486**	48,874,329
Earnings per share:			
Basic and diluted earnings per share	26	**1.25**	1.63

The accompanying notes 1 through 33 form an integral part of these financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 August 2019
(Amounts in Saudi Riyals)

	Notes	**31 August 2019**	31 August 2018
Net income for the year		**50,392,486**	48,874,329
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains from re-measurement of employees' end of service benefits	16	**3,849,000**	3,224,000
Total items that will not be reclassified to profit or loss in subsequent periods		**3,849,000**	3,224,000
Total other comprehensive income for the year		**3,849,000**	3,224,000
Total comprehensive income for the year		**54,241,486**	52,098,329

The accompanying notes 1 through 33 form an integral part of these financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 August 2019
(Amounts in Saudi Riyals)

	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance as at 1 September 2017	**300,000,000**	**--**	**13,341,331**	**25,750,180**	**339,091,511**
Net income for the year	--	--	--	48,874,329	48,874,329
Other comprehensive income	--	--	--	3,224,000	3,224,000
Total comprehensive income for the year	**--**	**--**	**--**	**52,098,329**	**52,098,329**
Transferred to statutory reserve	--	--	4,887,433	(4,887,433)	--
Dividends - (note 32)	--	--	--	(48,452,911)	(48,452,911)
Balance as at 31 August 2018	**300,000,000**	**--**	**18,228,764**	**24,508,165**	**342,736,929**
Balance as at 1 September 2018	**300,000,000**	**--**	**18,228,764**	**24,508,165**	**342,736,929**
Amendments to adoption of IFRS 9 (note 4.G)	**--**	**--**	**--**	**(5,225,505)**	**(5,225,505)**
Balance as at 1 September 2018	**300,000,000**	**--**	**18,228,764**	**19,282,660**	**337,511,424**
Capital increase (note 17)	130,000,000	--	--	--	130,000,000
Share premium (note 18)	--	100,985,697	--	--	100,985,697
Total	**430,000,000**	**100,985,697**	**18,228,764**	**19,282,660**	**568,497,121**
Net income for the year	--	--	--	50,392,486	50,392,486
Other comprehensive income	--	--	--	3,849,000	3,849,000
Total comprehensive income for the year	**--**	**--**	**--**	**54,241,486**	**54,241,486**
Transferred to statutory reserve	--	--	5,039,249	(5,039,249)	--
Dividends - (note 32)	--	--	--	(17,200,000)	(17,200,000)
Balance as at 31 August 2019	**430,000,000**	**100,985,697**	**23,268,013**	**51,284,897**	**605,538,607**

The accompanying notes 1 through 33 form an integral part of these financial statements.

NATIONAL COMPANY FOR LEARNING AND EDUCATION
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 August 2019
(Amounts in Saudi Riyals)

	31 August 2019	31 August 2018
Cash flows from operating activities		
Net income for the year before Zakat	**52,256,024**	50,423,768
Adjustments for:		
Impairment losses of accounts receivable	**4,611,033**	--
Impairment allowance for other debit balances	**469,156**	--
Impairment allowance for inventories	**247,433**	--
Gains on disposals of property, plant and equipment	**(66,600)**	--
Amortization and depreciation	**11,730,634**	13,936,029
Employees' benefits	**4,220,308**	4,357,000
Finance costs	**5,670,856**	6,419,079
Short-term Islamic deposits' returns	**(3,928,599)**	--
Realized revenue from government grants	**(1,239,837)**	(1,503,826)
	73,970,408	73,632,050
Changes in operating assets and liabilities		
Accounts receivable	**(8,351,719)**	6,283,299
Inventories	**519,919**	(259,102)
Prepayments and other debit balances	**(1,317,985)**	7,679,077
Accounts payable	**282,779**	242,308
Accrued expenses and other credit balances	**3,478,892**	1,989,259
Advance revenue	**1,847,737**	9,619,485
Zakat paid	**(1,549,433)**	(1,953,999)
Employees' benefits paid	**(4,686,608)**	(3,682,000)
Net cash flows generated from operating activities	**64,193,990**	93,550,377
Cash flows from investing activities		
Payments to purchase of property, plant and equipment and Capital work in progress	**(62,708,880)**	(24,425,099)
Payments to purchase intangible assets	**(55,825)**	--
Proceeds from disposals of property, plant and equipment	**66,600**	--
Proceeds from short-term Islamic deposits' returns	**3,928,599**	--
Net cash flows used in investing activities	**(58,769,506)**	(24,425,099)
Cash flows from financing activities		
Proceed from share capital increase	**130,000,000**	--
Proceed from share premium	**100,985,697**	--
Proceed from Islamic Murabaha and Ministry of Finance loans	**--**	909,090
Repayment of finance costs	**(2,819,576)**	(3,296,253)
Repayment of Islamic Murabaha and Ministry of Finance loans	**(13,625,132)**	(10,550,958)
Dividends paid	**(17,200,000)**	(48,452,911)
Net cash flows generated from/ (used in) financing activities	**197,340,989**	(61,391,032)
Net change in cash and cash equivalents	**202,765,473**	7,734,246
Cash and cash equivalents at beginning of the year	**37,280,096**	29,545,850
Cash and cash equivalents at end of the year	**240,045,569**	37,280,096

<u>Non-cash transactions during the year</u>

Capitalized interest on projects in progress	**71,557**	--
Actuarial gains on re-measurement of employees' benefits	**3,849,000**	3,224,000

The accompanying notes 1 through 33 form an integral part of these financial statements.

1. CORPORATE INFORMATION

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

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

The Company exercises its business through its branches mentioned below:
Branch of Tarbyah Namouthajiyah Schools/Al-Rayan District under CR No. 1010205885 dated 12 Muharram 1426H corresponding to 21 February 2005.
Branch of Tarbyah Namouthajiyah Schools/Al-Rawabi district under CR no. 1010226993 dated 24 Dhu Al Hijjah 1427H corresponding to 14 January 2007.
Branch of Tarbyah Namouthajiyah Schools/Al-Nuzha district under CR no. 1010284328 dated 4 Rabi II 1431H corresponding to 20 March 2010.
Branch of Tarbyah Namouthajiyah Schools/Qurtoba district under CR no. 1010466961 dated 5 Rabi II 1438H corresponding to 4 January 2017.

On 10 Rabi I 1440H (corresponding to 18 November 2018), the Company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under the code (4291). The Company's share capital after the IPO was SR 430 million divided into 43 million shares through issuing 13 million shares at a par value of SAR 10 per share in addition to share premium of SR 100.98 million (note 17).

The head office of the Company is located in Riyadh.

P.O.Box.41980 Riyadh 11531

Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA).

The principal accounting policies have been consistently applied to all periods presented in these financial statements.

Basis of measurement

The 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 financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Company.

3. NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet applied to the financial statements are listed below. This listing of standards and amendments issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. Following are standards and amendments issued but not yet effective.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS (16) "Leases"

IFRS (16) introduces a single on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS (16) replaces existing leases guidance including IAS (17) Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-(15) Operating Leases—Incentives and SIC-(27) Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS (15) Revenue from Contracts with Customers at or before the date of initial application of IFRS (16). The Company is currently determining the potential impact of adopting IFRS (16) on its financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree.

Acquisition related costs are expensed as incurred and included in general and administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred is recognized at fair value at the acquisition date. All contingent considerations (except that which is classified as equity) are measured at fair value at each reporting date with the changes in fair value recognized in the statement of profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are allocated to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an arm's lenghth 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 appropriate market for assets or liabilities

The principal or the most appropriate market must be accessible by the Company. 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 asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company 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 Company determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Company analyzes the changes in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources and others to determine whether the change is reasonable. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

C. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and Murabaha facilities with original maturity of less than three months from the date of acquisition. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D. Inventories

Inventories comprises of textbooks, office equipment and school uniforms, and are recorded at the lower of cost and net realizable value. Net realizable value is the difference between estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the weighted average method.

The Company recognizes impairment of carrying value, if any, at the difference between the carrying value and the net realizable value for slow-moving and obsolete inventories within cost of sales in the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Trade receivables

Trade receivables are stated at original invoice amount less impairment losses. The Company applies the simplified approach to assess expected credit losses specified in IFRS (9).

F. Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Company receives non-monetary grants, the asset and the grant are recorded in aggregate at nominal value and transferred to the statement of profit or loss over the expected useful life of the asset, based on the consumption pattern of the benefits of the underlying asset at equal annual installments. When loans or similar assistances are granted by governments or related institutions with a return rate below the prevailing return rate, the effect of this favorable return is regarded as a government grants.

G. Financial instrument

Classification and measurement of financial assets and financial liabilities

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

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

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

A debt instrument is measured at FVOCI 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 Company 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 Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Financial instrument (continued)

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets 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 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 Company has no debt investments at FVOCI or equity investments at FVOCI.

Disposal

Financial assets

A financial asset (or part of a group of similar financial assets) is disposed mainly (i.e. disposed from the Company's statement of financial position) in the following cases:

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

Financial liabilities

The Company derecognizes financial liabilities when its contractual obligations are discharged, cancelled or expired. The Company 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 statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Financial instrument (continued)

Impairment of financial assets

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

Loss provisions are measured on the bases of Excpected Credit Loss (“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 Company measures loss provisions at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company’s historical experience and informed credit assessment and including forward-looking information.

Measurement of ECL

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

For accounts receivables, the Company applies the simplified approach to estimate ECLs.

Impaired financial assets

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

Presentation of impairment

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

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

- **The following table summarizes the impact of adopting IFRS (9) on the financial statements for the year ended 31 August 2019 and 1 September 2018.**

First: Statement of changes in equity:

	Amounts before impact of adoption of IFRS (9)	Impact of adoption of IFRS (9)	Amounts after impact of adoption of IFRS (9)
Opening balance of retained earings at 1 September 2018	24,508,165	(5,225,505)	19,282,660

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Financial instrument (continued)

Second: statement of profit or loss:

	For the year ended 31 August 2019		
	Amounts before impact of adoption of IFRS (9)	Impact of adoption of IFRS (9)	Amounts after impact of adoption of IFRS (9)
Impairment losses of account receivables	--	4,611,033	4,611,033
Net profit for the year	55,003,519	(4,611,033)	50,392,486

H. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and any impairment. Cost comprises cost of equipments and materials including freight, insurance, expenditures from contractors for installment and construction works in addition to capitalized finance costs. When significant parts of property and equipment items have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Asset	Years
Buildings and improvements on owned buildings	10–33
Furniture and fixtures	7 –10
Computers and equipment	4 –10
Motor vehicles	5

Depreciation methods, rates and residual values are reviewed annually and are adjusted if the current method and the estimated useful life or the residual value are different than those estimated previously. The impact of these changes are recognized in the statement of profit or losses on a prospective basis.

Major renovations and improvements are capitalized if they extend the productivity or the operating useful life of the assets. Minor repairs and improvements are charged as expenses when incurred. Gains or losses resulting from disposal of assets which represent the difference between proceeds from sale and the carrying amount of assets are recognized in the statement of profit or loss.

Capital work in progress is stated at cost until the completion of construction or installation, thereupon the cost of these assets and the costs directly attributable to construction or installation, including capitalized borrowing costs, are transferred to the respective class of assets. Capital work in progress is not depreciated.

I. Intangible assets

Acquired assets are measured individually at cost on initial recognition. Subsequent to initial recognition, intangible assets are recorded at cost less accumulated amortization and any impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized. Such intangible assets are recognized in the statement of profit or loss in the period in which the expenses is incurred.

1) Computer software

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

2) Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Upon business combination for the Company, acquisition method is used. Goodwill is allocated, as of the date of the business combination, to cash-generating units that are expected to benefit from the business combination. Each cash-generating unit represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Borrowing costs

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

K. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Goodwill is tested annually for impairment and any impairment losses in respect of goodwill are not reversed.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

L. Zakat

Zakat provision is calculated in accordance with the General Authority for Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia on the statement of financial position date. The resulting provision is recorded within the statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are recognized in the period in which the final assessments are finalized.

M. Employees' benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected credit unit method.

Re-measurements for actuarial gains and losses are recognized in the statement of financial position and the corresponding balance is added to the retained earnings through other comprehensive income in the period in which they occur.

Re-measurement is not reclassified to the statement of profit or loss in subsequent periods. Costs and expenses related to defined benefit plans are recognized in the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Revenue recognition

The Company recognizes revenue under IFRS (15) using the following five steps model:

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

Education services

Revenue is recognized when education services to registered students at schools are provided for each academic year and included net of discounts and exemptions. Other income is realized when the related services are provided.

There was no significant difference on adopting IFRS (15) on the recognized revenue in the Company's financial statements.

O. Dividends

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

P. Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Earnings per share is calculated by dividing the profit or loss attributable to the Company's ordinary shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

Q. Foreign currency transactions

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Rentals

Determining whether an arrangement contains a lease or not depends on the core of the arrangement at its inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases that substantially transfers all the risks and rewards related to the ownership of the leased item upon the commencement of the lease are capitalized in the beginning of lease at the lower of the fair value of leased asset or the present value of the minimume lease payment whichever less. Lease payments are distributed between finance charges and the reduction in the lease obligation to achieve a fixed interest rate in the residual balance of the obligation. Finance charges are recognized in the statement of profit or loss.

The leased asset is depreciated over the asset's useful life. However, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term, the asset is depreciated over the estimated useful life or the lease term whichever shorter.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as operating expenses in statement of profit or loss on a straight-line basis over the term of lease.

S. Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount thereof can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount is recognized as finance cost in the statement of profit or loss.

T. Contingencies

These are probable obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or present obligation not recorded because the need for flow of resources to settle the obligation is not probable. If the amount of obligation cannot be measured with sufficient reliability, then it is not recorded in contingent liabilities but is disclosed in the financial statements.

U. Segment reporting

An operating segment is a part of the Company's business activities from which revenue can be recognized and expenses are incurred and includes income and expenses relating to transactions with any of the other components of the Company. All operational results of the operating segments are reviewed by the Company's operating decision makers to make decisions about the resources to be allocated to the segment and to assess its performance, which have separate financial information.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

A. Defined benefit plans

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

B. Impairment of goodwill

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of CGU is based on the value in use (“VIU”). This valuation process used to determine the value in use includes the use of methods such as the discounted cash flows method which uses assumptions to estimate cash flows. The VIU depends significantly on the discount rate used in the discounted cash flows model as well as the expected future cash flows.

(Amounts in Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT

	Lands *	Buildings and improvements on owned buildings	Furniture and Fixture	Computers and equipment	Motor vehicles	Capital work in progress	Total
Cost							
As at 1 September 2017	87,768,450	205,173,389	27,304,253	46,326,017	7,279,204	121,957,117	**495,808,430**
Additions during the year	--	6,411,835	594,536	201,504	--	17,217,224	24,425,099
Transfers	13,540,325	11,388,437	675,513	2,896,140	--	(28,500,415)	--
As at 31 August 2018	**101,308,775**	**222,973,661**	**28,574,302**	**49,423,661**	**7,279,204**	**110,673,926**	**520,233,529**
Additions during the year	--	136,716	321,773	401,432		62,175,877	63,035,798
Disposals during the year	--	--	--	(891,600)	--	--	(891,600)
As at 31 August 2019	**101,308,775**	**223,110,377**	**28,896,075**	**48,933,493**	**7,279,204**	**172,849,803**	**582,377,727**
Accumulated depreciation							
As at 1 September 2017	--	52,517,730	20,920,652	36,276,637	7,248,243	--	116,963,262
Charge for the year	--	7,082,616	2,278,956	4,289,771	8,686	--	13,660,029
As at 31 August 2018	**--**	**59,600,346**	**23,199,608**	**40,566,408**	**7,256,929**	**--**	**130,623,291**
Charge for the year	--	6,970,946	2,037,383	2,434,963	7,000	--	11,450,292
Disposals during the year	--	--	--	(636,239)	--	--	(636,239)
As at 31 August 2019	**--**	**66,571,292**	**25,236,991**	**42,365,132**	**7,263,929**	**--**	**141,437,344**
Net book value							
As at 31 August 2019	**101,308,775**	**156,539,085**	**3,659,084**	**6,568,361**	**15,275**	**172,849,803**	**440,940,383**
As at 31 August 2018	101,308,775	163,373,315	5,374,694	8,857,253	22,275	110,673,926	389,610,238

(*) Lands include lands mortgaged in favor of the Ministry of Finance which represent the land of Tarbyah Namouthajiyah Schools/ Al-Rawabi District amounting to SR 19,681,750 and the land of Tarbyah Namouthajiyah Schools/ Al-Nuzha District amounting to SR 16,658,500 million as at 31 August 2019. In addition, Buildings include a building mortgaged in favor of the Ministry of Finance which represents the branch of Tarbyah Namouthajiyah Schools/Al-Rawabi District with net carrying amount of SR 47,476,877 as at 31 August 2019 to secure the loan from the Ministry of Finance (Note 11.1 & 11.2).

(Amounts in Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Projects in progress represent the following:

	31 August 2019	31 August 2018
Al-Rayyan schools project (6-1)	**8,206,365**	5,480,152
Al-Qairawan schools project (6-2)	**74,061,852**	46,059,170
Al-Taraji schools project (6-3)	**25,838,506**	19,926,277
Buraydah scheme project (6-4)	**46,231,909**	20,878,850
Al Qasr scheme project in Khobar (6-5)	**18,511,171**	18,329,477
	172,849,803	110,673,926

6-1 This project represents contracting works to establish new classrooms in schools located in Al-Rayyan District which has been assigned to Aja Trading and Contracting Company (related party - Note 30).

6-2 The project represents mainly the value of land to establish schools in Al-Qairawan District amounting to SR 44,587,500 mortgaged in favor of a local bank provided that the release of mortgage shall be carried out subsequent to paying the last installment on 8 March 2022 (note 11.3). The value of buildings contracting works was SR 29,474,352 as at 31 August 2019. Murabaha returns were capitalized during the year ended 31 August 2019 for Al-Qairawan project in the amount of SR 71,557.

6-3 This project represents mainly the value of land to establish schools in Al-Taraji District in Dammam amounting to SR 19,750,000 million purchased from Mr. Mohammed Al-Khudair (a major shareholder and chairman of the Company). The value of buildings' contracting works was SR 6,088,506 as at 31 August 2019.

6-4 This project represents the value of plot of land to establish schools in Al-Rehab District in Buraydah amounting to SR 11,394,900. The value of buildings contracting works was SR 34,837,009 as at 31 August 2019. Subsequent to the year end, it has been announced that the opening and operation of kindergarten and primary elementary stage starting from next year 2019 – 2020, as the building of the kindergarten and primary elementary stage has been completed.

6-5 This project represents mainly the purchase value of two plots of land in Al Qasr scheme in Khobar with a total amount of SR 18,185,377 mortgaged to a local bank provided that the release of mortgage shall be carried out subsequent to paying the last installment of the loan on 18 May 2023 (note 11.4).

7. INTANGIBLE ASSETS

	Goodwill	**Computer Software**	**Total**
Cost			
At 1 September 2017	11,357,834	1,380,000	12,737,834
At 31 August 2018	11,357,834	1,380,000	12,737,834
Additions during the year	--	55,825	55,825
At 31 August 2019	**11,357,834**	**1,435,825**	**12,793,659**
Amortization:			
At 1 September 2017	--	330,933	330,933
Charge during the year	--	276,000	276,000
At 31 August 2018	--	606,933	606,933
Charge during the year	--	280,342	280,342
At 31 August 2019	**--**	**887,275**	**887,275**
Net book value:			
At 31 August 2019	**11,357,834**	**548,550**	**11,906,384**
At 31 August 2018	11,357,834	773,067	12,130,901

(Amounts in Saudi Riyals)

7. INTANGIBLE ASSETS (CONTINUED)

The company has tested separately recognized goodwill for impairment. The recoverable amount of the CGU as at 31 August 2019 has been determined based on the value in use calculation using cash flows projections from financial budgets covering a 5 years period. The discount rate applied to the cash flows projections was 13.6% and cash flows after 5 years period were estimated using a 2% growth rate. It was concluded that the carrying value of the goodwill has not exceeded the value in use. As a result of this analysis, no impairment losses have been recognized.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Discount rate
- Terminal value growth rate

Discount rate

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

Terminal value growth rate

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

Sensitivity to changes in assumptions

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

8. ACCOUNTS RECEIVABLE

	31 August 2019	31 August 2018
Parents’ receivables	**45,490,191**	37,138,472
Less: impairment of accounts receivable balances	**(14,483,162)**	(4,646,624)
	31,007,029	32,491,848

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

	31 August 2019	31 August 2018
Balance at the beginning of the year	**4,646,624**	4,646,624
Impact of adoption of IFRS (9) on beginning balance	**5,225,505**	--
Provided during the year	**4,611,033**	--
	14,483,162	4,646,624

The Company provides for provision of account receivables by applying the simplified approach to assess the expected credit losses.

9. PREPAYMENTS AND OTHER DEBIT BALANCES

	31 August 2019	31 August 2018
Advances to suppliers	**7,845,135**	12,062,913
Prepaid expenses	**2,744,647**	544,666
Employees’ loans and custodies	**1,650,585**	1,652,739
Value-added tax receivable	**4,066,595**	1,306,060
Others	**817,881**	240,480
	17,124,843	15,806,858
Less: impairment of other debit balances	**(469,156)**	--
	16,655,687	15,806,858

(Amounts in Saudi Riyals)

9. PREPAYMENTS AND OTHER DEBIT BALANCES (CONTINUED)

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

	31 August 2019	31 August 2018
Balance at beginning of the year	**--**	--
Provided during the year	**469,156**	--
Balance at the end of the year	**469,156**	--

10. CASH AND CASH EQUIVALENTS

	31 August 2019	31 August 2018
Current account with banks	**40,045,569**	37,280,096
Short-term islamic deposits	**200,000,000**	--
	240,045,569	37,280,096

11. ISLAMIC MURABAHA AND MINISTRY OF FINANCE LOANS

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

Loans from the Ministry of Finance without financial charges.

11.1 Loan from the Ministry of Finance under loan contract number 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 a loan of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah Schools/Al Rawabi District (previously Al Hadara Schools in Riyadh). The payment shall be in ten equal annual installments. The first installment would start after four years from the date of this contract. This loan does not carry any financial charges (note 12). Seven installments of the loan have been paid amounting to SR 17.5 million and the balance of the loan at 31 August 2019 amounted to SR 7.5 million. This loan is secured by mortgaging title deed and ownership of real estate including the mortgage of the project land and any constructions thereon whether in the past or in future in favour of the Ministry of Finance (note 6).

11.2 Loan from the Ministry of Finance under loan contract number 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 a loan of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah Schools / Al Nuzha District. The amounts have been received on installments of SR 25,000,000 provided that the payment shall be in ten equal annual installments. The first installment would start after four years from the date of this contract. This loan does not carry any financial charges (note 12). Six installments of the loan amounting to SR 15 million have been paid. The balance of the loan amounted to SR 10 million at 31 August 2019. This loan is secured by mortgaging title deed and ownership of a property that includes mortgaging the land of the project in favour of the Ministry of Finance (note 6).

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

	31 August 2019	31 August 2018
Balance at beginning of the year	**22,500,000**	27,500,000
Repayment during the year	**(5,000,000)**	(5,000,000)
Balance at the end of the year	**17,500,000**	22,500,000
The present value of loans obtained from the Ministry of Finance is as follows:		
Total loans at end of the year	**17,500,000**	22,500,000
Less: deferred financial charges		
Balance at beginning of the year	**(3,233,122)**	(4,736,948)
Financial charges for the year	**1,239,837**	1,503,826
Balance at the end of the year	**(1,993,285)**	(3,233,122)
Present value of loans at end of the year	**15,506,715**	19,266,878

(Amounts in Saudi Riyals)

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

Commercial banks' Islamic Murabaha

11.3 Murabaha from a commercial bank to finance acquision 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 said bank as a collateral, provided that release of mortgage shall be carried out subsequent to the repayment of the last installment on 8 March 2022 (note 6-2).

The balance of Murabaha at 31 August 2019 amounted to SR 24,418,780.

11.4 Murabaha from a commercial bank to finance acquision a plot of land in Khobar on 18 May 2017 corresponding to 21 Sha'ban 1438H. Murabaha has been obtained amounting to SR 16,975,695 including returns of SR 4,341,174 at profit return rate of 8.25% to purchase two plots of land to build schools in Khobar provided that Murabaha shall be repaid in ten equal semi-annual installments of SR 1,626,808 each. The first installment was repaid on 18 November 2018. Murabaha has been obtained by mortgaging these lands in the name of a subsidiary of the said bank provided that the release of mortgage shall be carried out subsequent to the repayment of the last installment on 18 May 2023. (note 6-5)

The balance of Murabaha at 31 August 2019 amounted to SR 13,014,463.

11.5 Murabaha from a commercial bank to finance a school complex in Al-Qairawan District in Riyadh and a school complex in Khobar on 15 August 2017 corresponding to 23 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 returns at profit return rate at SIBOR +2% provided that the facility shall be repaid in semi-annual installments. The facility has been obtained through mortgaging real estates of the facility in addition to a promissory note with the maximum limit of the amount or outstanding thereof and amerceable bail and performing by the Chairman and the Managing Director at the date of obtaining Murabaha. An amount of SR 1,269,585 has been utilized including returns of SR 360,495. The first installment will be repaid on 13 January 2019.

The balance of Murabaha at 31 August 2019 amounted to SR 1,218,085.

	31 August 2019	31 August 2018
Balance at beginning of the year	**50,096,036**	57,673,662
Proceeds during the year	**--**	1,269,585
Repayment during the year	**(11,444,708)**	(8,847,211)
Balance at the end of the year	**38,651,328**	50,096,036

The present value of islamic Murabaha obtained from commercial banks is as follows:	**31 August 2019**	31 August 2018
Total Murabaha at the end of the year	**38,651,328**	50,096,036
Less: deferred financial charges		
Balance at beginning of the year	**(7,134,644)**	(10,070,402)
Additions during the year	**--**	(360,495)
Financial charges for the year	**2,819,576**	3,296,253
Balance at the end of the year	**(4,315,068)**	(7,134,644)
Islamic Murabaha present value at the end of the year	**34,336,260**	42,961,392

(Amounts in Saudi Riyals)

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

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

	31 August 2019	31 August 2018
Balance at the beginning of the year	**72,596,036**	85,173,662
Proceeds during the year	**--**	1,269,585
Repayment during the year	**(16,444,708)**	(13,847,211)
Balance at the end of the year	**56,151,328**	72,596,036
Less: deferred financial charges		
Balance at the beginning of the year	**(10,367,766)**	(14,807,350)
Provided during the year	**--**	(360,495)
Financial charges during the year	**4,059,413**	4,800,079
Balance at the end of the year	**(6,308,353)**	(10,367,766)
Islamic Murabaha and Ministry of Finance loans present value at the end of the year	**49,842,975**	62,228,270
Current portion of long-term Islamic Murabaha and Ministry of Finance loans	**15,409,058**	17,684,545
Non-current portion of long-term Islamic Murabaha and Ministry of Finance loans	**34,433,917**	44,543,725
Islamic Murabaha and Ministry of Finance loans present value at the end of the year	**49,842,975**	62,228,270

12. DEFERRED REVENUE OF GOVERNMENT GRANTS

Deferred revenue of "government grants" have been recognized as the difference between the present value of government loans and their nominal value granted by the Ministry of Finance to the Company (note 11.1 and 11.2).

	31 August 2019	31 August 2018
Balance at the beginning of the year	**3,233,122**	4,736,948
Amortization during the year	**(1,239,837)**	(1,503,826)
Deferred revenue of government grants at the end of the year	**1,993,285**	3,233,122
Current portion of deferred revenue of government grants	**1,035,650**	1,239,837
Non-current portion of deferred revenue of government grants	**957,635**	1,993,285
Deferred revenue of government grants at the end of the year	**1,993,285**	3,233,122

13. ADVANCE REVENUE

Advance revenue represents academic fees received in advance for the academic year 2019 - 2020.

14. ACCRUED EXPENSES AND OTHER CRIDIT BALANCES

	31 August 2019	31 August 2018
Accrued expenses	**3,193,970**	2,247,702
Refundable deposit	**34,015**	34,015
Retentions	**2,929,277**	--
Others	**963,015**	1,359,668
	7,120,277	3,641,385

(Amounts in Saudi Riyals)

15. ZAKAT PROVISION

a) The Company is subject to Zakat in accordance with the regulation of General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. The Company has finalized its Zakat status and obtained final Zakat assessments for the years up to the financial year ended 31 August 2006. The Company submitted its Zakat returns to the General Authority of Zakat and Tax for the years from 31 August 2007 to 31 August 2018 and paid the accrued Zakat.

b) Zakat has been calculated for the year ended 31 August 2019 based on Zakat base key details of which are as follows:

		31 August 2019	31 August 2018
Net income for the year before Zakat		**52,256,024**	50,423,768
Adjustments on net income for the year		**11,230,930**	4,357,000
Adjusted net income for the year	(A)	**63,486,954**	54,780,768
Paid-up share capital		**300,000,000**	300,000,000
Statutory reserve		**18,228,764**	13,341,331
Returned earnings		**19,282,660**	25,750,180
Carried forward provisions		**50,055,521**	46,972,885
Financing for projects in progress		**40,477,258**	--
Fixed assets		**(440,940,383)**	(389,610,238)
Intangible assets		**(11,906,384)**	(12,130,901)
Islamic Murabaha and Ministry of Finance loans		**56,151,328**	71,326,453
Dividends paid during the year		**(17,200,000)**	(48,452,911)
Prepaid expenses to purchase properties and equipment		**(3,094,204)**	--
Total	(B)	**74,541,514**	61,977,567
Zakat base (A) or (B) whichever is higher		**74,541,514**	61,977,567
Zakat payable @ 2.5%		**1,863,538**	1,549,439

Movement in Zakat provision is as follows:

	31 August 2019	31 August 2018
Balance at the beginning of the year	**1,549,433**	1,953,993
Provided during the year	**1,863,538**	1,549,439
Paid during the year	**(1,549,433)**	(1,953,999)
	1,863,538	1,549,433

16. EMPLOYEES' BENEFITS

The Company operates single post-employment benefit scheme as per the Saudi Labor Law. These benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws and regulations of Saudi Arabia.

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

(Amounts in Saudi Riyals)

16. EMPLOYEES' BENEFITS (CONTINUED)

Net expenses recognized in the statement of profit or loss:

	31 August 2019	31 August 2018
Service cost	**4,220,308**	4,357,000
Interest cost	**1,683,000**	1,619,000
	5,903,308	5,976,000

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

	31 August 2019	31 August 2018
Balance at the beginning of the year	**44,870,000**	45,800,000
Current service cost	**4,220,308**	5,273,000
Past service cost	**--**	(916,000)
Interest cost	**1,683,000**	1,619,000
	5,903,308	5,976,000
Paid during the year	**(4,686,608)**	(3,682,000)
Actuarial gains recognized in the statement of comprehensive income	**(3,849,000)**	(3,224,000)
	42,237,700	44,870,000

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

	31 August 2019	31 August 2018
Discount rate	**3.60%**	3.60%
Future salary increase rate	**2%**	2%

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

	31 August 2019		31 August 2018	
	Increase (1%)	Decrease (1%)	Increase (1%)	Decrease (1%)
Discount rate	**39,567,000**	**45,380,000**	41,935,000	48,338,000
Future salary increase rate	**45,399,000**	**39,504,000**	48,357,000	41,865,000

The sensitivity analysis above may not be representative of an actual change in provision for employees' end of service benefits as it is unlikely that changes in assumptions would occur in isolation of one another.

(Amounts in Saudi Riyals)

17. SHARE CAPITAL

On 10 Rabi I 1440H (corresponding to 18 November 2018), the company's shares were listed and started trading on Saudi Stock Exchange (Tadawul) under code (4291). The Company's share capital has increased after the completion of the IPO and the increase of share capital was from SR 300 million (divided into 30 million shares) to SR 430 million (divided into 43 million shares) through issuing 13 million shares at a par value of SR 10 per share. The share price on the issuance date was SR 19 and the share premium was SR 117 million. The IPO expenses reduced the share premium amount by SR 16 million, so the share premium balance became SR 100.98 million.

18. SHARE PREMIUM

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

19. STATUTORY RESERVE

In accordance with the Company's By-laws and Saudi Arabian Regulations for Companies, 10% of the annual net income is transferred to the statutory reserve until such reserve equals 30% of the share capital. This reserve is not available for distributions to the shareholders.

20. REVENUE

	For the year ended	
	31 August 2019	31 August 2018
Tuition fees	**193,337,312**	199,538,043
Student transportation fee	**2,621,750**	2,789,000
Sport club revenues	**1,983,724**	1,943,462
	197,942,786	204,270,505

21. GOVERNMENT GRANTS AND SUBSIDIES

	For the year ended	
	31 August 2019	31 August 2018
HRDF grant (for Saudi teachers)	**7,455,000**	12,729,583
Revenue from government subsidies for education	**701,097**	1,452,832
Realized deferred revenue - government grants (note 12)	**1,239,837**	1,503,826
	9,395,934	15,686,241

22. COST OF REVENUE

	For the year ended	
	31 August 2019	31 August 2018
Salaries, wages and employees' benefits	**85,094,957**	97,068,196
Amortization and depreciation	**10,946,435**	13,275,072
Printings, tools and consumables	**5,292,737**	8,631,791
Medical insurance	**6,893,766**	5,855,346
Water, electricity and communications	**3,136,850**	4,063,518
Governments fees	**3,326,392**	3,613,044
Maintenance and fuel	**1,663,438**	1,499,079
Hospitality and educational activities	**1,939,967**	1,429,611
Others	**1,716,210**	2,182,196
	120,010,752	137,617,853

(Amounts in Saudi Riyals)

23. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	31 August 2019	31 August 2018
Salaries, wages and employees' benefits	**21,955,083**	19,405,768
Training and consulting	**1,246,366**	2,096,404
Bank commissions	**1,563,873**	1,485,970
Maintenance and fuel	**1,150,220**	727,678
Governments fees	**1,025,476**	432,823
Amortization and depreciation	**784,199**	660,957
Water, electricity and communications	**466,645**	801,909
Printings, tools and consumables	**430,654**	454,252
Medical insurance	**263,519**	232,659
Hospitality and educational activities	**214,898**	122,252
Others	**2,755,292**	393,049
	31,856,225	26,813,721

24. OTHER INCOME

	For the year ended	
	31 August 2019	31 August 2018
Rent for food canteens	**1,660,316**	1,752,295
Other miscellaneous income (*)	**3,195,347**	382,192
	4,855,663	2,134,487

(*) Other income includes an amount of SR 2.5 million representing reversal of combined bill from the Ministry of labor and social development by the support of the Private Sector Stimulus Bureau.

25. FINANCE COSTS, NET

	For the year ended	
	31 August 2019	31 August 2018
Finance costs for Islamic Murabaha and Ministry of Finance loans (note 11)	**2,748,019**	3,296,253
Finance costs for government grants (note 12)	**1,239,837**	1,503,826
Interest cost of end of service benefits	**1,683,000**	1,619,000
Short-term islamic deposits' returns	**(3,928,599)**	--
	1,742,257	6,419,079

26. BASIC AND DILUTED EARNINGS PER SHARE

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

	31 August 2019	31 August 2018
Income for the year	**50,392,486**	48,874,329
Weighted average number of shares (*)	**40,221,918**	30,000,000
	1.25	1.63

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

(Amounts in Saudi Riyals)

27. FINANCIAL ASSETS AND LIABILITIES

27. 1 Financial assets

	31 August 2019	31 August 2018
Financial assets at amortized cost:		
Accounts receivable	**31,007,029**	32,491,848
Prepayments and other debit balance	**16,655,687**	15,806,858
Cash and cash equivalents	**240,045,569**	37,280,096
Total financial assets at amortized cost	**287,708,285**	85,578,802

27. 2 Financial liabilities

	31 August 2019	31 August 2018
Financial liabilities at amortized cost:		
Islamic Murabaha and Ministry of Finance loans	**49,842,975**	62,228,270
Accounts payable	**1,300,645**	1,017,866
Accrued expenses and other credit balances	**7,120,277**	3,641,385
Total financial liabilities at amortized cost	**58,263,897**	66,887,521
Current portion of financial liabilities	**23,829,980**	22,343,796
Non-current portion of financial liabilities	**34,433,917**	44,543,725
Total financial liabilities	**58,263,897**	66,887,521

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

28. COMMITMENTS

	31 August 2019	31 August 2018
Contractual obligations for suppliers	**951,645**	214,111
Capital commitments - projects in progress	**79,651,300**	81,556,489
	80,602,945	81,770,600

Capital commitments are related to Al-Rayyan project for the construction of new classrooms (note 6-1) and Al-Qairawan, Buraydah and Al-Taraji projects for the construction of school complexes (notes 6-2 & 6-3 & 6-4).

29. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company is exposed to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges when appropriate, financial risks in close co-operation with the Company's operating units.

a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

29. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

Currency risk is the risk that the value of financial instruments will change due to changes in foreign exchange rates. Most of the Company's transactions are in Saudi Riyals.

The management closely and continuously monitors the exchange rate fluctuations. Based on its experience and market feedback, the management does not believe it is necessary to hedge the effect of foreign exchange risks as most of the transactions of foreign currency risk is relatively limited in the medium term.

Commission (returns) rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company is exposed mainly to interest rate risk as a result of Murabaha from commercial banks. The Company's practice is to manage its financing cost through optimizing available cash and minimizing loans.
The possible reasonable change of 100 basis points of interest rates at reporting dates would have resulted in an increase (decrease) of equity and profit or loss by SR 343.363.

b) Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from cash and cash equivalents and accounts receivable.

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

Cash and cash equivalents
Cash and cash equivalents are held with banks with good credit ratings. The Company regularly updates its cash flows.

Accounts receivable
The credit quality of financial assets that are neither past due nor impaired are being assessed by reference to customers with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past. The Company recognizes provision for impairment of accounts receivable that are assessed to have a significant probability of becoming uncollectible and considering historical write-offs. Credit and Collection Operations provide inputs on the aging of financial assets on a periodic basis.

The Company recognises provision of account receivables by applying the simplified approach to assess the expected credit losses. The provision for account receivables amounted to SR 14.4 million. The following table shows aging of the receivables as at 31 August 2019:

Balances less than 1 year	**25,969,817**
Balances more than one year and less than two years	**9,125,938**
Balances more than 2 years and less than 3 years	**5,071,043**
Balances more than 3 years	**5,323,393**
	45,490,191
Impairment of accounts receivable balances	**(14,483,162)**
Net accounts receivable	**31,007,029**

(Amounts in Saudi Riyals)

29. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation.

The management closely and continuously monitors the liquidity risk by performing regular review of available funds, present and future commitments, operating and capital expenditure. Moreover, the Company monitors the actual cash flows and seeks to match the maturity dates of its financial assets and its financial liabilities.

The Company seeks continuously to comply with its legal obligations, including any obligations relating to financing agreements.

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

	Less than a year	1-5 year	Over 5 years	Total contractual cash flows	Carrying amount
As at 31 August 2019					
Islamic Murabaha and Ministry of Finance loans	**16,444,708**	**39,706,620**	**--**	**56,151,328**	**49,842,975**
Accounts payable	**1,300,645**	**--**	**--**	**1,300,645**	**1,300,645**
Accrued expenses and other credit balance	**7,120,277**	**--**	**--**	**7,120,277**	**7,120,277**
	24,865,630	**39,706,620**	**--**	**64,572,250**	**58,263,897**
As at 31 August 2018					
Islamic Murabaha and Ministry of Finance loans	18,924,382	53,438,338	233,316	72,596,036	62,228,270
Accounts payable	1,017,866	--	--	1,017,866	1,017,866
Accrued expenses and other credit balances	3,641,385	--	--	3,641,385	3,641,385
	23,583,633	**53,438,338**	**233,316**	**77,255,287**	**66,887,521**

d) Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying financial statements are prepared under the historical cost method, differences may arise between book values and fair values estimates. The management believes that the fair value of financial assets and liabilities does not materially differ from its book value.

e) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors its capital base using a ratio of net debt to equity. Net debt is calculated as Murabaha less cash and cash equivalents.

(Amounts in Saudi Riyals)

29. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

e) Capital management (continued)

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

	31 August 2019	31 August 2018
Islamic Murabaha and Ministry of Finance loans	**49,842,975**	62,228,270
Less: cash and cash equivalents	**(240,045,569)**	(37,280,096)
Net debt	**(190,202,594)**	24,948,174
Total equity	**605,538,607**	342,736,929
Net debt to equity ratio	**(31%)**	**7%**

The decrease in net debt to equity ratio is due to the increase in cash and cash equivalents during the year.

30. RELATED PARTIES

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

	Nature of transaction	**31 August 2019**	31 August 2018
Aja Trading and Contracting Company – affiliate	Contracting revenue	**7,064,739**	9,131,796
Revan Operation and Maintenance Company – Affiliate	Manpower and supervision on Capital work in progress	**7,337,260**	3,407,918
Aaj Real Estate Company – affiliate	Leasing apartments and a warehouse	**--**	75,000

	31 August 2019	31 August 2018
Due from related parties (within prepayments and other debit balance)		
Aja Trading and Contracting Company	**196,956**	181,656
	196,956	181,656
Due to related parties (within accrued expenses and other credit balances)		
Aaj Real Estate Company	**104,002**	120,000
Revan Operation and Maintenance Company	**700,961**	662,589
	804,963	782,589

Key management compensation

	31 August 2019	31 August 2018
Salaries and other short-term benefits	**3,874,200**	4,046,845
	3,874,200	4,046,845

(Amounts in Saudi Riyals)

31. SEGMENT REPORTING

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

- The Company's principal activities are related to the following main business segments:
- Al-Rayyan schools
- Al-Rawabi schools
- Al-Nuzha schools
- Qurtoba schools

As at and for the year ended 31 August 2019

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

As at and for the year ended 31 August 2018

	Al-Rayyan Schools	Al-Rawabi Schools	Al-Nuzha Schools	Qurtoba schools	Others *	Total
Revenue	72,466,837	74,066,735	56,185,893	1,551,040	-	204,270,505
Government grants and subsidies	4,843,880	5,042,178	5,548,183	252,000	--	15,686,241
Cost of revenue	(49,570,891)	(49,273,721)	(35,261,625)	(3,511,616)	-	(137,617,853)
Gross profit	27,739,826	29,835,192	26,472,451	(1,708,576)	--	82,338,893
Property, plant and equipment	84,296,588	72,395,592	87,131,660	33,999,577	111,786,821	389,610,238
Depreciation	2,949,918	3,469,348	5,845,298	1,395,465	--	13,636,029

Due to the nature of the Company's activity and management style, it is not practical to allocate the remaining assets and liabilities of the Company according to different sectors. Furthermore, all the Company's activities are in Riyadh.

* This represents the value of projects in progress (note 6).

(Amounts in Saudi Riyals)

31. SEGMENT REPORTING (CONTINUED)

Reconciliation of information on reportable segments to net income of the company

	31 August 2019	31 August 2018
Gross profit from sectors	**87,327,968**	82,338,893
Undistributed amount		
Marketing and advertising expenses	**(1,718,092)**	(816,812)
General and administrative expenses	**(31,856,225)**	(26,813,721)
Other income	**4,855,663**	2,134,487
Impairment losses of account receivables	**(4,611,033)**	--
Finance costs, net	**(1,742,257)**	(6,419,079)
Total undistributed amount	**(35,071,944)**	(31,915,125)
Profit before zakat	**52,256,024**	50,423,768

32. DIVIDENDS

The Ordinary General Assembly held on 20 February 2019 approved the distribution of dividends to Shareholders for the year ended 31 August 2018 amounting to SR 17,200,000 million (31 August 2017: SR 48,452,911 million).

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on 9 Rabi’ I 1441H corresponding to 6 November 2019.