

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Condensed Interim Financial Statements
For the six month period ended
28 February 2018
Together with the Independent Auditors' Report
On Review of the Interim Financial Statements

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)

Condensed Interim Financial Statements
For the six month period ended 28 February 2018

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Independent Auditors' Report on Review of the Interim Financial Statements

**To The shareholders of National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying 28 February 2018 condensed interim financial statements of National Company for Learning and Education ("the Company"), which comprises:

- the condensed statement of financial position as at 28 February 2018;
- the condensed statement of profit or loss for the three-month period and six-month periods ended 28 February 2018;
- the condensed statement of comprehensive income for the three-month period and six-month periods ended 28 February 2018;
- the condensed statement of changes in equity for the six-month period ended 28 February 2018;
- the condensed statement of cash flows for the six-month period ended 28 February 2018; and
- the notes to the condensed interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 28 February 2018 condensed interim financial statements of National Company for Learning and Education are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.



Emphasis of Matter

We draw attention to note 2 to the condensed interim financial statements which describes the basis of accounting. The condensed interim financial statements have been prepared for the information and use of the Capital Market Authority (CMA) for the purpose of initial offering of the Company's shares. As a result, these condensed interim financial statements may not be suitable for any other purpose. Our conclusion is not modified in respect of this matter.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedals
License No. 371



Date: 15 Ramadan 1439H
Corresponding to: 31 May 2018

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Condensed statement of financial position
As at 28 February 2018
(Expressed in Saudi Riyals unless otherwise stated)

	<i>Notes</i>	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Assets				
Non-current assets				
Property, plant and equipment		382,135,178	378,845,168	360,525,232
Intangible assets		12,268,901	12,406,901	12,683,251
Total non-current assets		394,404,079	391,252,069	373,208,483
Current assets				
Inventories		981,695	1,652,328	-
Accounts receivables		39,409,523	38,775,147	28,344,025
Prepayments and other receivables		20,072,058	23,485,935	14,863,018
Cash and cash equivalents		76,785,607	29,545,850	22,571,622
Total current assets		137,248,883	93,459,260	65,778,665
Total assets		531,652,962	484,711,329	438,987,148
EQUITY				
Share capital		300,000,000	300,000,000	300,000,000
Statutory reserve		13,341,331	13,341,331	6,650,779
Retained earnings/ (Accumulated losses)		23,320,987	25,750,180	(8,872,752)
Total equity		336,662,318	339,091,511	297,778,027
Non-current liabilities				
Long-term loans	6	49,685,317	58,022,929	54,866,862
Employees' end of service benefits		47,897,386	45,800,000	45,982,000
Deferred revenue of government grants		2,552,001	3,233,122	4,736,948
Total non-current liabilities		100,134,704	107,056,051	105,585,810
Current liabilities				
Current portion of long-term loans	6	13,744,891	12,343,383	3,250,718
Advance revenue		61,245,525	20,334,881	27,043,220
Accounts payable		551,044	775,558	201,628
Deferred revenue of government grants		1,375,318	1,503,826	1,749,282
Accrued expenses and other payables		4,051,752	1,652,126	1,021,204
Shareholder's current account – Dividends		12,597,512	-	-
Zakat provision		1,289,898	1,953,993	2,357,259
Total current liabilities		94,855,940	38,563,767	35,623,311
Total liabilities		194,990,644	146,619,818	141,209,121
Total liabilities and equity		531,652,962	484,711,329	438,987,148

The accompanying notes 1 through 11 form an integral part of these condensed interim financial statements.

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Condensed statement of profit or loss (Unaudited)
For the three-month and six-month periods ended 28 February 2018
(Expressed in Saudi Riyals unless otherwise stated)

	Three month period ended		Six month period ended	
	28 February 2018	28 February 2017	28 February 2018	28 February 2017 (Note 5)
Revenue	50,536,926	54,270,128	101,672,910	108,213,808
Government grants and subsidies	3,460,243	6,160,257	7,792,045	11,959,585
Cost of revenue	(35,019,382)	(38,287,795)	(70,129,082)	(74,710,528)
Gross profit	18,977,787	22,142,590	39,335,873	45,462,865
Advertising and Marketing expenses	(224,157)	(301,947)	(413,456)	(371,832)
General and administrative expenses	(5,906,928)	(4,674,511)	(13,162,013)	(11,369,600)
Other income	575,897	474,512	1,218,372	975,608
Operating income	13,422,599	17,640,644	26,978,776	34,697,041
Finance costs	(1,613,612)	(1,467,648)	(3,263,098)	(3,056,592)
Net income for the period before Zakat	11,808,987	16,172,996	23,715,678	31,640,449
Zakat	(393,635)	(351,361)	(1,289,904)	(757,974)
Net income for the period	11,415,352	15,821,635	22,425,774	30,882,475
Earnings per share:				
Basic and diluted earnings per share	0.38	0.53	0.75	1.03

The accompanying notes 1 through 11 form an integral part of these condensed interim financial statements.

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Condensed statement of comprehensive income (Unaudited)
For the three-month and six-month periods ended 28 February 2018
(Expressed in Saudi Riyals unless otherwise stated)

	Three month period ended		Six month period ended	
	28 February 2018	28 February 2017	28 February 2018	28 February 2017 (note 5)
Net income for the period	<u>11,415,352</u>	<u>15,821,635</u>	<u>22,425,774</u>	<u>30,882,475</u>
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gain from re-measurement of employees' end of service benefits	<u>1,401,957</u>	<u>1,328,000</u>	<u>276,957</u>	<u>2,656,000</u>
Total items that will not be reclassified to profit or loss in subsequent periods	<u>1,401,957</u>	<u>1,328,000</u>	<u>276,957</u>	<u>2,656,000</u>
Total other comprehensive income for the period	<u>1,401,957</u>	<u>1,328,000</u>	<u>276,957</u>	<u>2,656,000</u>
Total comprehensive income for the period	<u>12,817,309</u>	<u>17,149,635</u>	<u>22,702,731</u>	<u>33,538,475</u>

The accompanying notes 1 through 11 form an integral part of these condensed interim financial statements.

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Condensed statement of changes in equity (Unaudited)
For the six month period ended 28 February 2018
(Expressed in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings / (Accumulated losses)</u>	<u>Total equity</u>
Balance at 1 September 2016	300,000,000	6,650,779	(8,872,752)	297,778,027
Net income for the period	-	-	30,882,475	30,882,475
Other comprehensive income	-	-	2,656,000	2,656,000
Total comprehensive income for the period	-	-	33,538,475	33,538,475
Dividends	-	-	(20,720,685)	(20,720,685)
Balance at 28 February 2017	<u>300,000,000</u>	<u>6,650,779</u>	<u>3,945,038</u>	<u>310,595,817</u>
Balance at 1 September 2017	300,000,000	13,341,331	25,750,180	339,091,511
Net income for the period	-	-	22,425,774	22,425,774
Other comprehensive income	-	-	276,957	276,957
Total comprehensive income for the period	-	-	22,702,731	22,702,731
Dividends	-	-	(25,131,924)	(25,131,924)
Balance at 28 February 2018	<u>300,000,000</u>	<u>13,341,331</u>	<u>23,320,987</u>	<u>336,662,318</u>

The accompanying notes 1 through 11 form an integral part of these condensed interim financial statements.

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Condensed statement of cash flows (Unaudited)
For the six month period ended 28 February 2018
(Expressed in Saudi Riyals unless otherwise stated)

	28 February 2018	28 February 2017
Cash flows from operating activities		
Net income for the period before Zakat	23,715,678	31,640,449
Adjustments for:		
Depreciation	6,975,992	6,391,473
Provision for employees' end of service benefits	3,494,343	3,882,710
Realized revenue from government grants	(809,629)	(1,015,506)
Finance costs	2,487,503	2,217,589
	35,863,887	43,116,715
Changes in operating assets and liabilities		
Accounts receivables	(634,376)	(20,329,163)
Inventories	670,633	-
Prepayments and other receivables	3,413,877	(8,086,742)
Accounts payable	(224,514)	409,832
Accrued expenses and other payables	2,399,626	14,889,761
Advance revenue	40,910,644	11,663,517
Cash from operating activities	82,399,777	41,663,920
Employees' end of service benefits paid	(1,120,000)	(1,007,612)
Zakat paid	(1,953,999)	-
Net cash generated from operating activities	79,325,778	40,656,308
Cash flows from investing activities		
Additions to property, equipment and projects in progress	(10,128,002)	(12,018,103)
Net cash used in investing activities	(10,128,002)	(12,018,103)
Cash flows from financing activities		
Repayments of loans	(9,423,607)	(5,000,000)
Dividend paid	(12,534,412)	(20,720,685)
Net cash used in financing activities	(21,958,019)	(25,720,685)
Net change in cash and cash equivalents	47,239,757	2,917,520
Cash and cash equivalents at beginning of the period	29,545,850	22,571,622
Cash and cash equivalents at end of the period	76,785,607	25,489,142
Supplement non-cash information:		
Unpaid dividends – shareholder's current account	12,597,512	-

The accompanying notes 1 through 11 form an integral part of these condensed interim financial statements.

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial statements (Unaudited)
28 February 2018

1. ORGANIZATION AND ACTIVITIES

National Company for Learning and Education (“the Company”) a Saudi closed 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 operates 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/Quroba District under CR no. 1010466961 dated 5 Rabi II 1438H corresponding to 4 January 2017.

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 accompanying condensed interim financial statements have been prepared in accordance with IAS 34, ‘Interim Financial Reporting’ that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Certified Public Accountants (SOCPA). These condensed interim financial statements are part of the period included in the first IFRS annual financial statements. Accordingly, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied by the Company to prepare the current condensed interim financial statements. The financial statements for the three month period ended 30 November 2017 have been issued in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia pursuant to the Board of Directors resolution on 19 December 2016 and the approval of conversion plan set by the Ordinary General Assembly on 16 January 2017 for early adoption of IFRS.

These condensed interim financial statements should be read in conjunction with the Company’s previous period financial statements as at 30 November 2017 as they present an explanation of how the transition to IFRS has affected the previously reported equity as at 31 August 2016; and statements of profit or loss and comprehensive income of the Company for the year ended 31 August 2016, including the nature and effect of significant changes in accounting policies from those used in the Company’s financial statements for the year ended 31 August 2016. These financial statements do not include all the required information to prepare a full set of financial statements in accordance with IFRS; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance from the previous period financial statements.

The condensed interim financial statements have been prepared to obtain information and to be used by Capital Market Authority (CMA) for the purpose of initial public offering of the Company’s shares.

Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis unless stated otherwise and using going concern concept.

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial statements (Unaudited)
28 February 2018

2. BASIS OF PREPARATION (CONTINUED)

Functional and presentation currency

These condensed interim 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 amendment issued but not yet applied to the condensed interim financial statements are listed below. This listing of standards and amendment 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 amendment issued but not yet effective.

IFRS (9) “Financial instruments”

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments replacing IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company is in the progress of completing its assessment related to the potential impact of Expected Credit Losses (ECLs) on the impairment of financial assets.

IFRS (15) “Revenue from Contracts with Customers”

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company is in the progress of completing its assessment of IFRS 15 impact on its policies of revenue recognition.

IFRS (16) “Leases”

IFRS 16 introduces a single, on-balance sheet lease 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 has started its assessment of IFRS 16 adoption impact on its financial statements.

Other amendments

The following standards and amendments are not expected to have a material impact on the Company’s condensed interim financial statements:

- a) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- b) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

National Company for Learning and Education
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial statements (Unaudited)
28 February 2018
(Expressed in Saudi Riyals unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies applied on these condensed interim financial statements have been prepared in accordance with in the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Certified Public Accountants (SOCPA). These accounting policies are the same accounting policies applied on the financial statements for the Company which are prepared in accordance with IFRS as at and for the three month period ended 30 November 2017.

5. EXPLANATION OF TRANSITION TO IFRS

As mentioned in (Note 2), the financial statements as at 30 November 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS). In these financial statements the opening statement of financial position is prepared under IFRS as the Company has adjusted amounts reported previously in financial statements prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia (Saudi GAAP). The following tables and notes show the impact on the statement of profit or loss and comprehensive income for the six month period ended 28 February 2018 as a result of transition from Saudi GAAP to IFRS.

5. 1 Reconciliation of statement of profit and loss for the six month period ended 28 February 2017

	Balances as per Saudi GAAP	Effect of transition	Balances as per IFRS
Revenue	108,213,808	-	108,213,808
Government grants and subsidies	11,959,585	-	11,959,585
Cost of revenue – Note (a) , (b)	<u>(76,453,603)</u>	1,743,075	<u>(74,710,528)</u>
Gross profit	43,719,790	1,743,075	45,462,865
Advertising and Marketing expenses	(371,832)	-	(371,832)
General and administrative expenses – Note (a)	(11,724,531)	354,931	(11,369,600)
Other income	975,608	-	975,608
Operating income	<u>32,599,035</u>	2,098,006	<u>34,697,041</u>
Financial costs – (a)	<u>(2,217,592)</u>	(839,000)	<u>(3,056,592)</u>
Net income for the period before Zakat	30,381,443	1,259,006	31,640,449
Zakat	<u>(757,974)</u>	-	<u>(757,974)</u>
Net income for the period	<u>29,623,469</u>	1,259,006	<u>30,882,475</u>
Earnings per share:			
Basic and diluted earnings per share	<u>0.99</u>	<u>0.04</u>	<u>1.03</u>

5. 2 Reconciliation of statement of comprehensive income for the six month period ended 28 February 2017

	Balances as per Saudi GAAP	Effect of transition	Balances as per IFRS
Net income for the period	29,623,469	1,259,006	30,882,475
Other comprehensive income			
Items that will not be reclassified to profit			
Actuarial gains from re-measurement of employees' end of service benefits	<u>-</u>	2,656,000	<u>2,656,000</u>
Other comprehensive income	<u>-</u>	<u>2,656,000</u>	<u>2,656,000</u>
Total comprehensive loss	<u>29,623,469</u>	<u>3,915,006</u>	<u>33,538,475</u>

National Company for Learning and Education
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Notes to the condensed interim financial statements (Unaudited)
28 February 2018
(Expressed in Saudi Riyals unless otherwise stated)

5. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Explanatory notes

a) Employees' end of service benefits

Under its Saudi GAAP, the Company calculates employee's end of service of liability at the current value of the vested benefits to which the employees is entitled, should his service be terminated at the balance sheet date. Under IFRS endorsed in the Kingdom of Saudi Arabia, the obligation is determined using the projected unit credit method, and actuarial valuations. Difference in employees' end of service benefits under Saudi GAAP and IFRS endorsed in the Kingdom of Saudi Arabia at the transition date are recognized against retained earnings.

b) Separating property and equipment into their major components

Under IFRS, buildings are separated into their major components for depreciation in accordance with their useful lives rate. Difference in the carrying amount of property and equipment under Saudi GAAP and IFRS endorsed in the Kingdom of Saudi Arabia at the transition date are recognized against retained earnings.

6. LOANS

Term loans are represented as follows:

Loans From the Ministry of Finance

- 6-1** Loan from the Ministry of Finance under loan contract no. 42 to finance the construction of educational compound on 1 March 2009 corresponding to 4 Rabi I 1430H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Rawabi District (previously Al Hadara National School in Riyadh). The loan will be repaid in ten annually equal installments. The first installment would start after four years from the date of contract. This loan does not carry any finance interests. Six installments have been paid amounting to SR 15 million. The balance of the loan is SR 10,000,000 at 28 February 2018. This loan is secured by mortgaging title deed and ownership of real estate including the mortgage of the project land and any constructions thereon whether in the past or in future for the benefit of the Ministry of Finance.
- 6-2** Loan from the Ministry of Finance under loan contract no. 49 to finance the construction of educational compound on 5 January 2010 corresponding to 19 Muharram 1431H. There is an agreement with the Ministry of Finance to obtain the amount of SR 25,000,000 to finance the project of Tarbyah Namouthajiyah - Al Nuzha District. The amount has been received on installments amounting to SR 25,000,000 provided that the loan will be repaid in ten annually equal installments. The first installment would start after four years from the date of contract. This loan does not carry any finance interests. Five installments have been paid amounting to SR 12,5 million. The balance of the loan is SR 12.5 million at 28 February 2018. This loan is secured by mortgaging title deed and ownership of real estate for the benefit of the Ministry of Finance.

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

	28 February 2018	31 August 2017	1 September 2016
	Unaudited	(Audited)	(Audited)
Balance at beginning of the period / year	27,500,000	32,500,000	33,996,000
Proceeds during the period / year	-	-	3,504,000
Paid during the period / year	(5,000,000)	(5,000,000)	(5,000,000)
Balance at end of period / year	22,500,000	27,500,000	32,500,000

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

Total loans at end of the period / year	22,500,000	27,500,000	32,500,000
<u>Less: Deferred finance charges</u>			
Balance at beginning of the period / year	(4,736,948)	(6,486,230)	(8,469,039)
Finance charges for the period / year	809,629	1,749,282	1,982,809
Balance at end of period / year	(3,927,319)	(4,736,948)	(6,486,230)
Value of loans at end of the period / year	18,572,681	22,763,052	26,013,770

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28 February 2018
(Expressed in Saudi Riyals unless otherwise stated)

6. LOANS (CONTINUED)

Commercial bank Loans

- 6-3** Loan from a local bank to finance purchasing a plot of land in Al-Qairawan District on 7 March 2016 corresponding to 27 Jumada I 1437H. This obtained loan amounting to SR 40,697,967 include interests in the amount of SR 9,721,975 at interest rate of 7.5% provided that the loan will be repaid in ten equal semi-annual installments amounting to SR 4,069,797 each. The first installment will be paid on 10 September 2017. This loan has been obtained through mortgaging this land by registering this land by the name of a subsidiary of the lending bank provided that the ownership of the land shall be transferred to the Company subsequent to paying the last installment on 8 March 2022.
- 6-4** Loan from a local bank to finance purchasing a plot of land in Khobar on 18 May 2017 corresponding to 21 Sha'ban 1438H. This obtained loan amounting to SR 16,975,695 include interests amounting to SR 4,241,170 at interest rate of 8.25% to purchase two plots of land for building schools in Khobar provided that this loan must be paid on ten equal semi-annual installments amounting to SR 1,626,808 each. The first installment will be paid on 18 November 2018. This loan has been obtained through mortgaging these lands by registering these lands by the name of a subsidiary of the lending bank provided that the ownership of the land shall be transferred to the Company subsequent to paying the last installment on 18 May 2023.
- 6-5** Bank facility from a local bank to finance Al-Qairawan District school compound in Riyadh and a school compound 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 an agreement of SR 150 million limit has been obtained doe 7 years including interests at interest rate SIBOR +2% provided that the repayment of the facility must be on semi-annual installments. this 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 from the chairman and the managing director. This facility has not been utilized yet.

	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Balance at beginning of the period / year	57,673,662	40,697,967	-
Proceeds during the period / year	-	16,975,695	40,697,967
Paid during the period / year	(4,423,607)	-	-
Balance at end of period / year	53,250,055	57,673,662	40,697,967
Movement in the current value of loans obtained from local banks is as follows:			
	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Total loans at end of the period / year	53,250,055	57,673,662	40,697,967
<u>Less: Deferred finance charges</u>			
Balance at beginning of the period / year	(10,070,402)	(8,594,157)	-
Additions during the period/year	-	(4,341,174)	(9,721,973)
Finance charges for the period / year	1,677,874	2,864,929	1,127,816
Balance at end of period / year	(8,392,528)	(10,070,402)	(8,594,157)
Value of loans at end of the period / year	44,857,527	47,603,260	32,103,810

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6. LOANS (CONTINUED)

Movement in total loans during the year is as follows:

	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Balance at beginning of the period/year	85,173,662	73,197,967	33,996,000
Withdrawals during the period / year	-	16,975,695	44,201,967
Paid during the period / year	(9,423,607)	(5,000,000)	(5,000,000)
Balance at end of the period / year	75,750,055	85,173,662	73,197,967
Less: Deferred finance charges			
Balance at beginning of the period/year	(14,807,350)	(15,080,387)	(8,469,039)
Provided during the period / year	-	(4,341,174)	(9,721,973)
Finance costs during the period / year	2,487,503	4,714,211	3,110,625
Balance at end of the period / year	(12,319,847)	(14,807,350)	(15,080,387)
Value of loans at end of the period / year	63,430,208	70,366,312	58,117,580
Current portion of long-term loans	13,744,891	12,343,383	3,250,718
Long-term loans	49,685,317	58,022,929	54,866,862

7. FINANCIAL ASSETS AND LIABILITIES

7.1 Financial assets

	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Financial assets at amortized cost:			
Accounts receivables	39,409,523	38,775,147	28,344,025
Cash and cash equivalents	67,785,607	29,545,850	22,571,622
Total financial assets at amortized cost	116,195,130	68,320,997	50,915,647

7.2 Financial liabilities

	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Financial liabilities at amortized cost:			
Loans	63,430,208	70,366,312	58,117,580
Accounts payable	551,044	775,558	201,628
Total financial liabilities at amortized cost	63,981,252	71,141,870	58,319,208
Current portion of financial liabilities	14,295,935	13,118,941	3,452,346
Non-current portion of financial liabilities	49,685,317	58,022,929	54,866,862
Total financial liabilities	63,981,252	71,141,870	58,319,208

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

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8. COMMITMENTS

	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Contractual obligations for suppliers	20,178	103,603	103,603
Capital commitments - projects in progress	84,587,366	61,322,268	61,992,233
	84,607,544	61,425,871	62,095,836

9. RELATED PARTIES

The Company transacted with related parties in ordinary course of business. Following are the details of major transactions with related parties:

	Nature of transaction	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2017 (Audited)
Aja Trading and Contracting Company – affiliate	Contracting revenue	6,387,236	4,235,750	1,809,461
Rivan Company – Affiliate	Hiring labor	1,099,080	857,145	-
Aaj Investment Company – affiliate	Leasing apartments and a warehouse	70,000	195,000	-

	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Due from related parties (within prepayments and other receivables)			
Aja Trading and Contracting Company	-	6,045,211	1,809,461
	-	6,045,211	1,809,461

	28 February 2018 Unaudited	31 August 2017 (Audited)	1 September 2016 (Audited)
Due to related parties (within accrued expenses and other payables)			
Aaj Investment Company	120,000	120,000	-
Rivan Company	700,306	88,261	-
Aja Trading and Contracting Company	338,124	-	-
	1,158,430	208,261	-

Key management compensation

	28 February 2018 Unaudited	28 February 2017 Unaudited
Salaries and other short-term benefits	1,752,000	1,782,000
	1,752,000	1,782,000

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10. 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 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
- Qurtubah schools

	As at and for the six month period ended 28 February 2018 (unaudited)					
	<u>Al-Rayyan Schools</u>	<u>Al-Rawabi Schools</u>	<u>Al-Nuzha Schools</u>	<u>Qurtubah schools</u>	<u>Other</u>	<u>Total</u>
Revenue	36,625,303	36,042,771	28,365,249	639,587	-	101,672,910
Government grants and subsidies	2,069,083	2,655,285	2,888,011	67,166	112,500	7,792,045
Cost of revenue	(25,069,972)	(25,258,464)	(17,603,239)	(2,197,407)	-	(70,129,082)
Gross profit / (loss)	<u>13,624,414</u>	<u>13,439,592</u>	<u>13,650,021</u>	<u>(1,490,654)</u>	<u>112,500</u>	<u>39,335,873</u>
Property, plant and equipment	<u>86,634,116</u>	<u>74,100,728</u>	<u>89,846,700</u>	<u>34,440,091</u>	<u>670,779</u>	<u>285,692,414</u>
Depreciation	<u>1,427,630</u>	<u>1,731,635</u>	<u>2,988,911</u>	<u>583,530</u>	<u>244,286</u>	<u>6,975,992</u>

	As at and for the six month period ended 28 February 2017 (unaudited)				
	<u>Al-Rayyan schools</u>	<u>Al-Rawabi schools</u>	<u>Al-Nuzha schools</u>	<u>Other</u>	<u>Total</u>
Revenue	39,919,695	38,357,189	29,936,924	-	108,213,808
Government grants and subsidies	3,909,381	4,320,032	3,730,172	-	11,959,585
Cost of revenue	(27,474,417)	(28,704,650)	(18,531,461)	-	(74,710,528)
Gross profit	<u>16,354,659</u>	<u>13,972,571</u>	<u>15,135,635</u>	<u>-</u>	<u>45,462,865</u>
Property, plant and equipment	<u>89,618,011</u>	<u>77,775,722</u>	<u>95,989,496</u>	<u>1,708,472</u>	<u>265,091,701</u>
Depreciation	<u>1,423,804</u>	<u>1,687,664</u>	<u>2,749,967</u>	<u>530,038</u>	<u>6,391,473</u>

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

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10. SEGMENT REPORTING (CONTINUED)

Information about reportable segments with net income for the company

	28 February 2018 Unaudited	28 February 2017 Unaudited
Gross profit from the registered sector	39,335,873	45,462,865
Undistributed amount		
Other income	1,218,372	975,608
Advertising and Marketing expenses	(413,456)	(371,832)
General and administrative expenses	(13,162,013)	(11,369,600)
Finance costs	(3,263,098)	(3,056,592)
Total undistributed amount	(15,620,195)	(13,822,416)
Income before Zakat	23,715,678	31,640,449

11. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 15 Ramadan 1439H (corresponding to 31 May 2018).