

**AL KHALEEF TRAINING AND EDUCATION COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**AND REVIEW REPORT**  
**FOR THE SIX MONTHS PERIOD ENDED**  
**30 JUNE 2020**



**Al Azem & Al Sudairy & Al Shaikh & Partners**  
CPA's & Consultants - Member Crowe Global

**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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**REPORT ON REVIEW OF CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS**

**To: The Shareholders of  
Al Khaleej Training and Education Company  
(A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Al Khaleej Training and Education Company (the "Company ") and its subsidiaries (the “Group”)** as at 30 June 2020, and the related condensed consolidated interim statements of profit or loss, comprehensive income for the three and six-month periods ended 30 June 2020, and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (34) “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with 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 condensed consolidated 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia.

**Other Matter**

The consolidated financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 25, 2020.



**Al Azem, Al Sudairy, Al-Shaikh & Partners  
Certified Public Accountants**



**Abdullah M. Al Azem  
License No. 335**

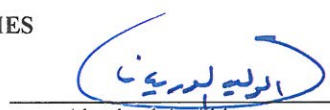
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Riyadh, Kingdom of Saudi Arabia

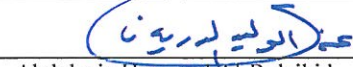
AL KHALEEJ TRAINING AND EDUCATION COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020

	Notes	30 June 2020 SAR (Unaudited)	31 December 2019 SAR (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets, net		39,509,190	40,718,000
Right of use of assets, net	4	387,963,831	400,458,252
Property and equipment, net	5	443,519,135	436,864,138
Investments in equity instruments at fair value through other comprehensive income		239,234,334	269,071,412
		<u>1,110,226,490</u>	<u>1,147,111,802</u>
<b>Current assets</b>			
Cash and cash equivalents		64,915,223	181,967,462
Accounts receivables, net	6	330,745,307	286,170,469
Other current assets		101,913,101	128,355,188
Unbilled revenue		33,414,175	22,687,655
Inventories, net		13,314,094	13,602,785
Due from related parties	7	--	1,430,809
		<u>544,301,900</u>	<u>634,214,368</u>
<b>TOTAL ASSETS</b>		<b><u>1,654,528,390</u></b>	<b><u>1,781,326,170</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the shareholders</b>			
Share capital	8	450,000,000	450,000,000
Statutory reserve		83,054,313	83,054,313
Retained earnings		67,637,011	69,834,487
Foreign currency translation reserve		(2,067,323)	(2,234,632)
Fair value reserve		(11,884,258)	17,952,820
<b>Total equity attributable to the shareholders</b>		<b>586,739,743</b>	<b>618,606,988</b>
Non-controlling interest		7,574,617	11,097,193
<b>Total equity</b>		<b>594,314,360</b>	<b>629,704,181</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current portion of long term loans	9	168,695,997	98,544,584
Non-current portion of deferred income	10	11,252,476	11,654,350
Non-current portion of finance lease obligations	10	427,914,893	474,778,157
Employees' end of service benefits	11	54,863,966	56,013,132
		<u>662,727,332</u>	<u>640,990,223</u>
<b>Current liabilities</b>			
Banks overdraft		5,017,468	3,561,090
Short-term loans		252,056,684	324,993,901
Current portion of long term loans		7,980,239	24,584,414
Current portion of deferred income	10	803,748	803,748
Current portion of finance lease obligations	10	41,984,518	34,453,841
Trade and other payables		86,062,014	119,624,254
Due to related parties	7	--	2,658
Zakat and income tax payable		3,582,027	2,607,860
		<u>397,486,698</u>	<u>510,631,766</u>
<b>Total liabilities</b>		<b>1,060,214,030</b>	<b>1,151,621,989</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,654,528,390</b>	<b>1,781,326,170</b>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer

  
Abdulaziz Hammad Al-Bulaihid  
Chairman

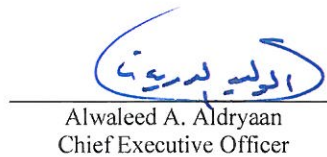
The accompanying notes an integral part of these interim condensed consolidated financial statements

**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

	For the Three months period ended		For the Six months period ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	SAR	SAR	SAR	SAR
<i>Note</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	181,592,563	201,239,533	395,354,792	415,390,460
Cost of revenues	(167,500,703)	(183,204,282)	(346,893,170)	(355,938,239)
<b>GROSS PROFIT</b>	<b>14,091,860</b>	<b>18,035,251</b>	<b>48,461,622</b>	<b>59,452,221</b>
Selling and marketing expenses	(3,643,045)	(6,931,982)	(8,712,443)	(11,369,200)
General and administrative expenses	(2,116,346)	(4,091,832)	(19,884,222)	(23,688,978)
Impairment of financial assets	(4,574,667)	(3,365,330)	(9,977,772)	(5,817,360)
<b>PROFIT FROM MAIN OPERATIONS</b>	<b>3,757,802</b>	<b>3,646,107</b>	<b>9,887,185</b>	<b>18,576,683</b>
Other income	4,259,883	1,043,721	7,010,480	2,176,422
Financial charges	(3,260,397)	(7,104,800)	(7,572,993)	(14,681,746)
<b>PROFIT / (LOSS) BEFORE ZAKAT AND INCOME TAX</b>	<b>4,757,288</b>	<b>(2,414,972)</b>	<b>9,324,672</b>	<b>6,071,359</b>
Zakat and income tax	(474,167)	(763,614)	(974,167)	(1,263,614)
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>	<b>4,283,121</b>	<b>(3,178,586)</b>	<b>8,350,505</b>	<b>4,807,745</b>
<b>NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Shareholders	4,661,815	(3,581,409)	9,052,524	3,735,980
Non-controlling interest	(378,694)	402,823	(702,019)	1,071,765
	<b>4,283,121</b>	<b>(3,178,586)</b>	<b>8,350,505</b>	<b>4,807,745</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD</b>	<b>0.10</b>	<b>(0.08)</b>	<b>0.20</b>	<b>0.08</b>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer

  
Abdulaziz Hammad Al-Bulaihid  
Chairman

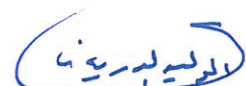
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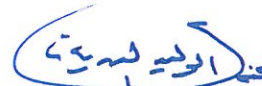
**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

	For the Three months period ended		For the Six months period ended	
	<u>30 June</u> <u>2020</u>	<u>30 June</u> <u>2019</u>	<u>30 June</u> <u>2020</u>	<u>30 June</u> <u>2019</u>
	SAR	SAR	SAR	SAR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>	<u>4,283,121</u>	<u>(3,178,586)</u>	<u>8,350,505</u>	<u>4,807,745</u>
<b>OTHER COMPEREHSINVE (LOSS) / INCOME</b>				
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation reserve	(56,745)	670,705	133,075	1,360,350
Change in the fair value of investments in equity instruments	<u>1,584,270</u>	--	<u>(29,837,078)</u>	--
Other comprehensive (loss) / income	<u>1,527,525</u>	670,705	<u>(29,704,003)</u>	1,360,350
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>5,810,646</u>	<u>(2,507,881)</u>	<u>(21,353,498)</u>	<u>6,168,095</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Shareholders	6,061,096	(2,974,338)	(20,617,245)	5,139,941
Non-controlling interest	<u>(250,450)</u>	466,457	<u>(736,253)</u>	1,028,154
	<u>(5,810,646)</u>	<u>(2,507,881)</u>	<u>(21,353,498)</u>	<u>6,168,095</u>
<b>OTHER COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders	1,399,281	607,071	(29,669,769)	1,403,961
Non-controlling interest	<u>128,244</u>	63,634	<u>(34,234)</u>	(43,611)
	<u>1,527,525</u>	<u>670,705</u>	<u>(29,704,003)</u>	<u>1,360,350</u>

  
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Chairman

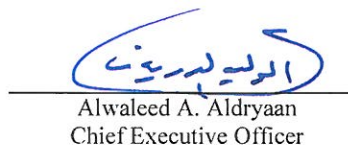
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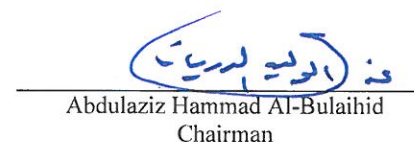
**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

	Equity attributable to the shareholders						Non-controlling interest	Total
	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Fair value reserve	Equity		
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
<b>Balance at 1 January 2019 (Audited)</b>	450,000,000	76,627,243	23,110,622	(2,755,173)	171,143	547,153,835	8,470,817	555,624,652
Net profit for the period	--	--	3,735,980	--	--	3,735,980	1,071,765	4,807,745
Other comprehensive income / (loss)	--	--	--	1,403,961	--	1,403,961	(43,611)	1,360,350
<b>Total profit and comprehensive income</b>	--	--	3,735,980	1,403,961	--	5,139,941	1,028,154	6,168,095
<b>Balance at 30 June 2019 (Unaudited)</b>	<u>450,000,000</u>	<u>76,627,243</u>	<u>26,846,602</u>	<u>(1,351,212)</u>	<u>171,143</u>	<u>552,293,776</u>	<u>9,498,971</u>	<u>561,792,747</u>
<b>Balance at 1 January 2020 (Audited)</b>	450,000,000	83,054,313	69,834,487	(2,234,632)	17,952,820	618,606,988	11,097,193	629,704,181
Net profit for the period	--	--	9,052,524	--	--	9,052,524	(702,019)	8,350,505
Other comprehensive income / (loss)	--	--	--	167,309	(29,837,078)	(29,669,769)	(34,234)	(29,704,003)
<b>Total profit and comprehensive income</b>	--	--	9,052,524	167,309	(29,837,078)	(20,617,245)	(736,253)	(21,353,498)
Dividends paid	--	--	(11,250,000)	--	--	(11,250,000)	(2,786,323)	(14,036,323)
<b>Balance at 30 June 2020 (Unaudited)</b>	<u>450,000,000</u>	<u>83,054,313</u>	<u>67,637,011</u>	<u>(2,067,323)</u>	<u>(11,884,258)</u>	<u>586,739,743</u>	<u>7,574,617</u>	<u>594,314,360</u>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer


  
Abdulaziz Hammad Al-Bulaihid  
Chairman

The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements

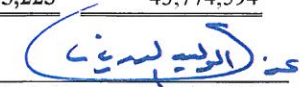
AL KHALEEJ TRAINING AND EDUCATION COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	30 June 2020	30 June 2019
	SAR (Unaudited)	SAR (Unaudited)
<b><u>OPERATING ACTIVITIES</u></b>		
Profit for period	8,350,505	4,807,745
<b>Adjustments to:</b>		
Depreciation and amortization	23,837,771	23,884,286
Deferred gain on sale of property and equipment	(401,874)	(401,874)
Provision for employees' end of service benefits	5,383,873	5,291,684
Impairment of other financial assets	9,977,772	5,817,360
Finance charges	2,642,427	2,978,595
Foreign currency translation reserve	133,075	1,360,350
Provision for zakat and income tax	974,167	1,263,614
	<b>50,897,716</b>	<b>45,001,760</b>
<b>Net changes in working capital:</b>		
Accounts receivable	(54,552,610)	(7,568,565)
Other current assets	26,442,087	(11,822,486)
Inventories	288,691	(1,389,927)
Unbilled revenue	(10,726,520)	1,883,694
Related parties' balances	1,428,151	(1,546,389)
Trade and other payables	(33,562,240)	4,623,186
<b>Cash flows (used in) provide from operating activities</b>	<b>(19,784,725)</b>	<b>29,181,273</b>
Employees' end of service benefits paid	(6,533,039)	(5,009,000)
Zakat and income tax paid	--	(2,197,007)
<b>Net cash flows (used in) provide from operating activities</b>	<b>(26,317,764)</b>	<b>21,975,266</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property and equipment	(16,462,433)	(21,172,452)
Additions to intangible assets	(327,104)	(929,836)
<b>Net cash flows used in investing activities</b>	<b>(16,789,537)</b>	<b>(22,102,288)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Banks overdraft	1,456,378	(23,294,283)
Term loans, net	(19,389,979)	38,704,389
Lease obligations, net	(41,975,014)	(9,973,517)
Dividends paid	(11,250,000)	--
Non-controlling interest	(2,786,323)	--
<b>Net cash flows (used in) provide from financing activities</b>	<b>(73,944,938)</b>	<b>5,436,589</b>
<b>Net change in cash and cash equivalents</b>	<b>(117,052,239)</b>	<b>5,309,567</b>
Cash and cash equivalents at the beginning of the period	<b>181,967,462</b>	<b>38,465,027</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>64,915,223</b>	<b>43,774,594</b>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer

  
Abdulaziz Hammad Al-Bulaihid  
Chairman

The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements



**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

**1. INFORMATION AND ACTIVITIES**

Al Khaleej Training and Education Company (“the Company” or “the Parent Company”) is a Saudi Joint Stock Company registered under commercial registration number 1010103367 dated 30 Jamada Al Awal 1413H (corresponding to 24 November 1992). The head office is located at Olaya area, Riyadh.

The Company and its subsidiaries (“the Group”) are engaged in the training services for computer and related electronics services, establishment and constructions of schools and cafeterias, teaching English language, holding training courses, operation maintenance and computer software, installation of networks, infrastructures, communication systems, call centers and technical supports.

The following is the list of subsidiaries included in these interim condensed consolidated financial statements which provide training services:

<i>Subsidiary companies</i>	<i>Country of incorporation</i>	<i>Direct / indirect ownership</i>
Fast Lane Group (Fast Lane Consultancy duty free – LTD.)	United Arab Emirates	80%
Al Khaleej Training and Information Technology Company	Egypt	57 %
Online Trading Academy Duty free – LTD.	United Arab Emirates	100%
Applied Digital Media Services Company	United Arab Emirates	100%
Franklin Covey Middle East Company and its subsidiaries	United Arab Emirates	61%
Linguaphone Limited Company	United Kingdom	100%
Jobzella	Egypt	60%

**2. BASIS OF PREPARATION AND CONSOLIDATION**

**Basis of preparation**

The interim condensed consolidated financial statements are for the Six months ended 30 June 2020 and are presented in Saudi Riyal (SAR), which is the functional currency of the Parent Company. They have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, endorsed in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all of the information required in the annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

**Basis of consolidation**

The interim condensed consolidated financial statements comprise of the interim condensed consolidated statements of financial position, interim condensed consolidated statements of profit and loss, interim condensed consolidated statements of other comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows and explanatory notes of the Group which include assets, liabilities and the result of operations of the Company and its subsidiaries as stated in note (1) above.

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

Certain comparative amounts have been adjusted to conform to the current period presentation, which includes reclassification between property and equipment, net and right of use assets, presented as follow:

	31 December 2019		31 December 2019
	As Reported	Adjustment	Adjusted
Property and equipment	498,692,007	(61,827,869)	436,864,138
Right of use assets	338,630,383	61,827,869	400,458,252

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

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**2. BASIS OF PREPARATION AND CONSOLIDATION (continued)**

**Basis of consolidation (continued)**

The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition and fair value of non-controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in interim condensed consolidated statement of financial position. NCI are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition. The portion of profit or loss and net assets not controlled by the Group are presented separately in the interim condensed consolidated statement of profit or loss and within equity in the interim condensed consolidated statement of financial position.

Intra-Group balances and transactions, and any unrealized profit and loss arising from intra-Group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

**Use of judgments, estimates and significant accounting assumptions**

In preparing these interim condensed consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the financial statements are as follows:

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020 shown below:

**Amendments to IAS 1 and IAS 8: Definition of Material**

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material does not have a significant impact on the Group's interim condensed consolidated financial statements.

**Amendments to IFRS 3: Definition of a Business**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments to the definition of a business does not have a significant impact on the Group's interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revised Conceptual Framework for Financial Reporting**

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting,
- reinstating prudence as a component of neutrality,
- defining a reporting entity, which may be legal entity, or a portion of an entity,
- revising the definitions of an asset and a liability,
- removing the probability threshold for recognition and adding guidance on derecognition,
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance of faithful representation of the financial statements

No changes will be made to any of the current accounting standards.

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**4. RIGHT OF USE ASSETS**

Set out below, are the carrying amount of the Group's right-of-use assets and the movements during the period:

	30 June 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Balance at the beginning of the period / year	400,458,252	154,026,446
Additions during the period / year	--	264,457,053
Amortization during the period / year	(12,494,421)	(18,025,247)
	<u>387,963,831</u>	<u>400,458,252</u>

The Group recognized rent expense from short-term and low-value assets leases amounting of SAR 96,300 for the Six months ended 30 June 2020 (SAR 281,880 for the six months ended 30 June 2019).

**5. PROPERTY AND EQUIPMENT, NET**

	30 June 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Balance at the beginning of the period / year	436,864,138	745,257,280
Additions during the period / year	14,522,414	59,974,256
Disposal during the period / year	(7,867,417)	(341,983,147)
Depreciation during the period/year	--	(26,384,251)
	<u>443,519,135</u>	<u>436,864,138</u>

The property include a plot of land amounted 1,500,000 Saudi riyals, is not registered in the name of the Group, but in the name of the CEO, and it has been assigned to the Group, and the legal procedures of transferring the ownership are underway.

**6. ACCOUNTS RECEIVABLE, NET**

Included in receivables are amounts totaling SAR 270 million (31 December 2019: SAR 240 million) due from government and quasi-government institution in which balance of SAR 111 million due over one year as of 30 June 2020 (31 December 2019: SAR 116 million). The Group's management believes that all not impaired receivables will be collected. The Group does not obtain guarantees against these receivables.

Movements in the provision for expected credit loss were as follows:

	30 June 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Balance at the beginning of the period / year	41,076,299	20,529,207
Charge for the period/year	9,977,772	21,239,987
Amounts written off during the period / year	--	(692,895)
	<u>51,054,071</u>	<u>41,076,299</u>

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**7. RELATED PARTIES TRANSACTIONS**

Related party	Nature of transactions	30 June	30 June
		2020	2019
		(Unaudited)	(Unaudited)
		SAR	SAR
Companies owned by directors	Rent as lessee	450,000	450,000
	Rent as lessor	683,000	683,000

Amounts due from / to related parties are shown in the assets and liabilities in the interim condensed consolidated statement of financial position respectively.

Transactions with related parties are made on terms similar those prevailing in normal transactions. Balances due at the end of each year are unsecured and do not bear commissions and are settled in cash.

There are no guarantees from or to the related parties. For the period ended 30 June 2020, the Group has not recorded any impairment loss on amounts due from related parties. Valuation of impairment is performed every financial year by examining the financial position of the related entity and the market in which the entity is involved.

**8. SHARE CAPITAL**

The Group's capital consists of 45 Million shares as at 30 June 2020 (31 December 2019: 45 Million shares) of SAR 10 each.

**9. TERM LOANS**

The Group obtained long-term and short-term loans from several local banks to finance the Group's projects and build buildings for educational establishments during the year. The loans are charged a commission equal to the inter-bank lending rate (SAIBOR). All loans are secured by order bonds and the pledge of part of the Group's land to the banks. The agreements also included conditions regarding the Group's commitment to some financial ratios and conditions.

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**10. LEASE OBLIGATIONS**

The obligations resulting from the acquisition of assets through finance and operating leases consists of the following:

- a) Leased building through sale and lease back. As the Group has completed, on 15 September 2015, the sale of a newly constructed management building in Al-Ghadeer area in Riyadh, the cost of which is approximately SAR 58.9 million, to Manafe' Holding Company, at a selling price of SAR 75 million, in order to finance the Group's expansion in educational projects. The group then leased back the building for 20 years ending in the year 2034. Gain from the sale transaction, amounting to approximately SAR 16 million, was deferred in accordance with the requirements of the Standard of Accounting for Leases issued by the Saudi Organization for Certified Public Accountants, and will be recognized in subsequent periods in correlation with depreciation as the leaseback was classified as a finance lease. During the year 2016 the rental value of the land for the building was separated and classified as an operating lease (with present value of SAR 48.7 million). In the interim condensed consolidated statement of profit or loss the group recognized an amount of SAR 200,937 as gain from sale of the building (30 June 2019: SAR 200,937).
- b) Schools leased building in Dammam. on 25 August 2016 the Group has signed a contract with Mohammed Abdulaziz Al Rajhi and Sons Investment Group, to lease Al Ishraq Building Schools for 20 years. The building lease was classified as a finance lease (with present value SAR 17.8 million) and the rent of land was classified as right of use.
- c) Three schools leased in Dammam and Riyadh on 23 December 2019, the Group has signed a sale and leaseback contract with Al Rajhi Capital Fund, to lease Dammam Schools, Moghrazat Schools and Sahafa Schools for 15 years.
- d) Right of use assets obligations.

The details of lease obligations are as follow:

	Buildings	Right of use assets	Total
	SAR	SAR	SAR
<b>30 June 2020 (Unaudited)</b>			
Non-current	23,504,011	404,410,882	427,914,893
Current	7,050,341	34,934,177	41,984,518
<b>Total</b>	<b>30,554,352</b>	<b>439,345,059</b>	<b>469,899,411</b>
<b>31 December 2019 (Audited)</b>			
Non-current	40,036,143	434,742,014	474,778,157
Current	4,503,617	29,950,224	34,453,841
<b>Total</b>	<b>44,539,760</b>	<b>464,692,238</b>	<b>509,231,998</b>

The following table represents the minimum lease payments for the years after the date of the interim condensed consolidated financial position, and in total:

	Buildings	Right of use assets	Total
	SAR	SAR	SAR
2020	1,199,826	14,002,888	15,202,714
2021	2,424,851	18,748,488	21,173,339
2022 and after	19,879,334	371,659,506	391,538,840
<b>Total</b>	<b>23,504,011</b>	<b>404,410,882</b>	<b>427,914,893</b>

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**11. EMPLOYEES' END OF SERVICE BENEFITS**

The Group manages the end of service benefits program for its employees in accordance with the requirements of the labor law in the Kingdom of Saudi Arabia. The movement in the provision for employees' end of service benefits for the period / year is based on actuarial assumptions:

	30 June 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Balance at the beginning of the period / year	56,013,132	53,965,487
Cost of service and interest included in profit or loss for the period / year	5,383,873	15,897,132
Actuarial loss on remeasurement of end of service benefits for the period / year	--	6,316,000
Paid during the period/year	(6,533,039)	(20,165,487)
	<u>54,863,966</u>	<u>56,013,132</u>

**12. EARNING PER SHARE**

Earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Parent company by the weighted average number of ordinary shares during the period. Diluted earnings per share does not apply to the Group. Earnings per share from continuing operations is not presented because there are no discontinued operations during the period.

	For the Three months period ended		For the Six months period ended	
	30 June 2020 (Unaudited) SAR	30 June 2019 (Unaudited) SAR	30 June 2020 (Unaudited) SAR	30 June 2019 (Unaudited) SAR
Net profit for the period	4,661,815	(3,581,409)	9,052,524	3,735,980
Weighted average number of ordinary shares	45,000,000	45,000,000	45,000,000	45,000,000
Earnings per share	<u>0.10</u>	<u>(0.08)</u>	<u>0.20</u>	<u>0.08</u>

**13. SEGMENT INFORMATION**

The segmental information is attributable to the Group's activities and business as approved by the Group management to be used as a basis for the financial reporting and consistent with the internal reporting process.

The segment results and assets comprise items that are directly attributable to certain segment and items that can reasonably be allocated between business segments.

The Group is organized into following main business segments:

**1- Computer**

Serves individual and corporate segments. Individual segment incorporates training courses with period from three months to two years diploma corporate segment incorporates all advanced programming, networking and computer solutions. The Group follows the global methodology of New Horizon Company, of which the Group owns the franchise in the middle east region.

**2- Language**

Provides training courses in English language, consisting of 6 levels. The courses are held over a period of 2 to 14 months. The Group follows the global methodology of Direct English Company, of which the Group owns the franchise in the middle east region.

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**13. SEGMENT INFORMATION (CONTINUED)**

**3- Educational projects**

This segment represents the educational projects related to universities and the Ministry of Education, including operating the orientation years for several Saudi universities. These projects are focused on providing the academic staff for the orientation years according to scientific basis and standards set by the universities and managing these human resources for the universities.

**4- Financial and management training**

This segment aims to provide trainees with information and various skills and up-to-date methods in relation to their jobs, and to improve and develop their abilities and skills. This includes development courses in management, leadership, stock trading and others, improving their efficiency and productivity through international certifications.

**5- Communication centers**

This segment provides management and operating services of customer services centers via telephone for a number of companies and bodies.

**6- Schools**

This segment is engaged in incorporating private educational schools for (boys/girls) inside the Kingdom of Saudi Arabia.

	<i>Computer</i> <i>SAR</i>	<i>Language</i> <i>SAR</i>	<i>Financial and</i> <i>management</i> <i>training</i> <i>SAR</i>	<i>Communication</i> <i>center</i> <i>SAR</i>	<i>Educational</i> <i>projects</i> <i>SAR</i>	<i>Schools</i> <i>SAR</i>	<i>Total</i> <i>SAR</i>
<b>30 June 2020 (Unaudited)</b>							
Revenues	37,665,781	20,716,323	27,934,758	182,433,154	48,990,314	77,614,462	395,354,792
Depreciation	3,560,053	1,916,953	1,504,849	5,607,154	84,971	11,163,792	23,837,771
Profit before zakat and income tax	1,827,828	(7,202,323)	933,688	9,072,259	1,239,181	3,454,039	9,324,672
Total assets	231,715,154	124,769,698	64,297,063	347,882,271	55,671,986	830,192,218	1,654,528,390
Total liabilities	31,240,350	16,821,726	55,160,406	92,909,690	53,492,786	810,589,072	1,060,214,030
Capital expenditure	3,162,492	2,046,880	119,839	3,341,804	156,000	7,962,522	16,789,537
<b>30 June 2019 (Unaudited)</b>							
Revenues	61,054,360	25,977,521	36,549,689	183,422,263	47,889,792	60,496,835	415,390,460
Depreciation	6,161,448	3,317,703	1,882,410	4,763,793	72,990	7,685,943	23,884,286
Profit before zakat and income tax	6,243,690	(5,565,700)	1,298,321	8,500,374	428,265	(4,833,591)	6,071,359
Total assets	243,440,290	123,135,907	60,728,616	323,259,363	41,766,946	650,888,828	1,443,219,950
Total liabilities	53,675,002	24,802,274	42,049,755	76,866,247	34,338,679	649,695,246	881,427,203
Capital expenditure	5,057,291	2,723,157	490,956	7,482,062	396,782	5,952,040	22,102,288



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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14. FINANCIAL INSTRUMENTS

**Fair value measurements of financial instruments**

Assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value

	Level 1	Level 2	Level 3	Total
<u>30 June 2020 (Unaudited)</u>	SAR	SAR	SAR	SAR
<b>Financial assets</b>				
Investment in equity instruments at fair value through other comprehensive income	225,230,334	14,004,000	--	239,234,334
Cash and cash equivalent	64,915,223	--	--	64,915,223
Accounts receivable, net	330,745,307	--	--	330,745,307
Unbilled revenues	33,414,175	--	--	33,414,175
<b>Financial liabilities</b>				
Non-current portion of long term loans	168,695,997	--	--	168,695,997
Non-current portion of lease obligations	427,914,893	--	--	427,914,893
Banks overdraft	5,017,468	--	--	5,017,468
Short-term loans	252,056,684	--	--	252,056,684
Current portion of long-term loans	7,980,239	--	--	7,980,239
Current portion of lease obligations	41,984,518	--	--	41,984,518
Trade payables	15,741,325	--	--	15,741,325

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

14. FINANCIAL INSTRUMENTS (Continued)

31 December 2019 (Audited)

**Financial assets**

Investment in equity instruments at fair value through other comprehensive income	255,067,412	14,004,000	--	269,071,412
Cash and cash equivalent	181,967,462	--	--	181,967,462
Accounts receivable, net	286,170,469	--	--	286,170,469
Unbilled revenues	22,687,655	--	--	22,687,655

**Financial liabilities**

Non-current portion of long term loans	98,544,584	--	--	98,544,584
Non-current portion of lease obligations	474,778,157	--	--	474,778,157
Banks overdraft	3,561,090	--	--	3,561,090
Short-term loans	324,993,901	--	--	324,993,901
Current portion of long-term loans	24,584,414	--	--	24,584,414
Current portion of lease obligations	34,453,841	--	--	34,453,841
Trade payables	23,397,048	--	--	23,397,048

15. GENERAL ASSEMBLY RESOLUTIONS

The general assembly has agreed on the following recommendations of the board of directors in its meeting held on 12 Ramadan 1441 H (corresponding to 5 May 2020) to:

- Distribute cash dividends related to the year ended 31 December 2019 amounting to SAR 11,250,000 (SAR 0.25 per share).
- Award bonus to the board members with total amount of SAR 900,000 for the year ended 31 December 2019.

16. THE EFFECTS OF THE NEW COVID 19 EPIDEMIC

The Group assesses the effects of the new epidemic of COVID 19, which may adversely affect its financial position, operating results and cash flows, by preparing a study to measure the potential impact on the economic value of the group, while measuring any decrease in the value of the assets and measuring any contingent liabilities, according to the criteria of International Financial Reporting Standards for future periods, as the impact cannot be reasonably estimated in light of the uncertainty in the interim condensed consolidated financial statements for the Six months ended 30 June 2020.

The Group will continue to monitor the current situation and provide preventive provisions, if required, in anticipation of any potential risks.

The Group has taken into consideration the potential effects of the current economic fluctuations when determining the carrying amounts of its financial and non-financial assets as of 30 June 2020.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors have approved the interim condensed consolidated financial statements on 04 Muharram 1442 H (corresponding to 23 August 2020).