

**Al Khaleej Training and Education Company  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2020**



**Crowe**

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

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

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

**TO: THE SHAREHOLDERS OF  
AL KHALEEJ TRAINING AND EDUCATION COMPANY  
(A Saudi Joint Stock Company)**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Qualified Opinion**

We have audited the consolidated financial statements of **Al Khaleej Training and Education Company (the "Company") and its subsidiaries (collectively the "Group")**, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for effects of the matter described in the Basis for Qualified Opinion section of our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Qualified Opinion**

We were not provided by the fair value of investments amounted SAR 15.6 million that recorded as investments in equity instruments defined at FVOCI as at 31 December 2020, and as a result we were unable to determine whether it was necessary to make any adjustments. Relates to the component of investments in equity instruments through other comprehensive income to the statement of financial position and to the items that make up the statement of comprehensive income and the change in the consolidated shareholders' equity.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 Consolidated Financial Statements section" of our report. We are independent of the Group 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 consolidated 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 qualified opinion.

#### **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.

#### **Key Audit Matters**

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



**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (Continued)**

<b>Carrying value of goodwill</b>	
Refer to note (4) for the accounting policy and note (5) for related disclosures.	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>At 31 December 2020, the Group had goodwill which arose on business combinations amounting to SAR 32.3 million (2019: 32.3 million).</p> <p>In accordance with IAS 36 "Impairment of assets" an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>Goodwill is monitored by management at the level of cash-generating units ("CGUs"). An impairment exercise was carried out in respect of goodwill allocated to the CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which utilized the most recent five-year business plan prepared by the Group's management. The outcome of this exercise did not result in any impairment loss to be recognized.</p> <p>We considered impairment testing of goodwill as a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were:</p> <ul style="list-style-type: none"> <li>• Assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;</li> <li>• Assumptions of the impact of the actions of the Group's main competitors on expected revenue and gross margin assumptions; and</li> <li>• Discount rate used in the value-in-use cash flow model.</li> </ul>	<p>We assessed management's impairment assessment of goodwill by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• Assessed the methodology used by management to determine a recoverable amount based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model used;</li> <li>• Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved budgets and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;</li> <li>• Engaged our valuation experts to assist in the review of the methodology of value-in-use calculations and use of certain assumptions including discount rates and long-term growth rates; and</li> <li>• Performed sensitivity analyses over key assumptions, principally sales growth rate, terminal value multiple and discount rates, in order to assess the potential impact of a range of possible outcomes.</li> </ul> <p>We also reviewed the adequacy of the Group's disclosure included in the consolidated financial statements.</p>

**INDEPENDENT AUDITOR’S REPORT (Continued)**  
**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (Continued)**

<b>Revenue Recognition</b>	
Refer to notes (4) for the accounting policy.	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group recognized revenue of SAR 787.3 million for the year ended 31 December 2020 (2019: SAR 864.1 million).</p> <p>The Group recognizes revenue upon transfer of control of promised services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services. The Group offers customers the ability to acquire multiple services.</p> <p>Significant judgment is exercised by the Group in determining revenue recognition for customer agreements, and includes the following:</p> <ul style="list-style-type: none"> <li>• Determination whether services are considered distinct performance obligations that should be accounted for separately versus together.</li> <li>• Determination of prices for each distinct performance obligation and for services.</li> <li>• The pattern of delivery (i.e., timing of when revenue is recognized) for each distinct performance obligation.</li> <li>• Estimation of variable consideration when determining the amount of revenue to recognize</li> <li>• Given these factors, the related audit effort in evaluating the Group management’s judgments in determining revenue recognition for customer agreements was extensive and required a high degree of auditor judgment.</li> </ul>	<p>Our principal audit procedures related to the Group’s revenue recognition for customer agreements included the following:</p> <ul style="list-style-type: none"> <li>• Tested the effectiveness of internal controls related to the identification of distinct performance obligations, the determination of the timing of revenue recognition, and the estimation of variable consideration.</li> <li>• Evaluated management’s significant accounting policies related to customer agreements for reasonableness.</li> <li>• Selected a sample of customer agreements and performed the following procedures: <ul style="list-style-type: none"> <li>- Obtained and read contract source documents for each selection and other documents that were part of the agreement.</li> <li>- Tested management’s identification of significant terms for completeness, including the identification of distinct performance obligations and variable consideration.</li> <li>- Assessed the terms in the customer agreement and evaluated the appropriateness of management’s application of their accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.</li> <li>- Evaluated the reasonableness of management’s estimate of prices for services.</li> <li>- Tested the mathematical accuracy of management’s calculations of revenue and the associated timing of revenue recognized in the consolidated financial statements.</li> </ul> </li> </ul>



**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (Continued)**

<b>Provision for expected credit losses (ECL)</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The provision for expected credit losses for the Group is calculated in accordance with the requirements of IFRS 9. In order to provide for expected credit losses, management uses both a model-based approach and individual assessments to consider factors not captured by this model.</p> <p>Expected credit losses shall be measured in a way that reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and is based on past events, current conditions and forecasts of future economic conditions. To calculate the provision, the Group is required to make estimates and assumptions regarding for example criteria to identify a significant increase in credit risk and methods to calculate expected credit losses. Due to the complexity of the calculation and that it requires Group to make estimates and assumptions, provisioning for expected credit losses is considered a key audit matter.</p>	<p>Our principal audit procedures related to the Group's expected credit losses provision included the following:</p> <ul style="list-style-type: none"> <li>• Tested the design and operating effectiveness of key controls in the credit process, credit approval, credit review, rating classification as well as identifying and determining credits to be in default.</li> <li>• Tested controls relating to input data to models and the general IT-controls including the handling of authorizations within these systems.</li> <li>• Assessed the ECL model including the model assumptions and input parameters as well as assessed how the model calculates. Our assessment of input parameters includes probability of default, loss given default, exposure at default and staging criteria, parameters determining a significant increase in credit risk at engagement level in accordance with IFRS 9.</li> <li>• On a sample basis we challenged the Group's initial and current engagement risk rating.</li> <li>• Tested that data used from supporting systems used in the ECL model, is complete and accurate.</li> <li>• Assessed the model validations which have been performed and reviewed the reasonableness of the macroeconomic data used in the ECL model.</li> <li>• Assessed the reasonableness of the manual adjustments made by the Group. In our audit we have used our internal model specialists to support us when performing the audit procedures.</li> <li>• Ensured that the disclosures presented in the consolidated financial statements regarding credit risk are appropriate.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
**(A Saudi Joint Stock Company)**

**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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.



**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**AL KHALEEJ TRAINING AND EDUCATION COMPANY**  
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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

**Report on other legal and regulatory requirements**

Article (135) of the Companies Law requires that the auditor includes in his report violations to the provisions of the Companies Law or Company's articles of association. During the course of our audit of the consolidated financial statements, we have not discovered a violation to the provisions of the Companies Law or the provisions of the Company's articles of association.



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


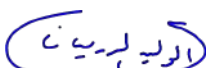
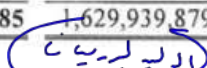


**Abdullah M. Al Azem**  
**License No. 335**

18 Shaaban 1442H (March 31, 2021)  
Riyadh, Kingdom of Saudi Arabia

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020

	Notes	31 December 2020 SR	31 December 2019 (Restated) SR	1 January 2019 (Restated) SR
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets, net	5	41,000,307	40,718,000	39,730,597
Right of use of assets	15	288,339,299	298,061,214	29,291,450
Property and equipment, net	6	459,350,276	436,864,138	807,085,149
Investment in equity instruments at fair value through other comprehensive income	7	271,812,091	269,071,412	18,930,188
		<u>1,060,501,973</u>	<u>1,044,714,764</u>	<u>895,037,384</u>
<b>Current assets</b>				
Cash and cash equivalent	8	28,271,875	181,967,462	38,465,027
Accounts receivable, net	9	335,093,729	286,170,469	335,096,585
Other current assets	10	52,226,972	79,365,935	57,710,013
Unbilled revenues		34,401,018	22,687,655	15,366,930
Inventory, net	11	11,138,818	13,602,785	13,303,423
Due from related parties	12	---	1,430,809	415,405
		<u>461,132,412</u>	<u>585,225,115</u>	<u>460,357,383</u>
<b>TOTAL ASSETS</b>		<u><b>1,521,634,385</b></u>	<u><b>1,629,939,879</b></u>	<u><b>1,355,394,767</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to the shareholders of the parent</b>				
Share capital	13	450,000,000	450,000,000	450,000,000
Statutory reserve		84,149,823	83,043,571	76,627,243
Retained earnings		44,716,647	51,962,704	5,335,515
Foreign currency translation reserve		(2,772,628)	(2,234,632)	(2,755,173)
Fair value reserve	7	20,693,499	17,952,820	171,143
<b>Total equity attributable to the shareholders of the parent</b>		<u><b>596,787,341</b></u>	<u><b>600,724,463</b></u>	<u><b>529,378,728</b></u>
Non-controlling interest		8,053,718	11,097,193	8,470,817
<b>Total equity</b>		<u><b>604,841,059</b></u>	<u><b>611,821,656</b></u>	<u><b>537,849,545</b></u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term loans	14	161,156,800	98,544,584	136,827,670
Deferred gain from sale of property and equipment		10,850,602	11,654,350	12,458,098
Lease obligations	15	322,627,742	359,175,461	85,175,224
Employees' end of service benefits	16	60,808,916	56,013,132	53,965,487
		<u>555,444,060</u>	<u>525,387,527</u>	<u>288,426,479</u>
<b>Current liabilities</b>				
Notes Payable		5,496,872	3,561,090	90,138,354
Short-term loans	14	261,013,840	324,993,901	289,459,002
Current portion of long-term loans	14	---	24,584,414	44,716,619
Current portion of deferred gain from sale of property and equipment		803,748	803,748	803,748
Current portion of lease obligations	15	17,453,535	16,552,771	16,982,800
Trade and other payables	17	74,866,539	119,624,254	82,318,540
Due to related parties	12	240,041	2,658	1,968,594
Zakat and income tax payable	18	1,474,691	2,607,860	2,731,086
		<u>361,349,266</u>	<u>492,730,696</u>	<u>529,118,743</u>
<b>Total liabilities</b>		<u><b>916,793,326</b></u>	<u><b>1,018,118,223</b></u>	<u><b>817,545,222</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,521,634,385</b></u>	<u><b>1,629,939,879</b></u>	<u><b>1,355,394,767</b></u>
				
		Faisal Siddique Chief Financial Officer	Alwaleed A. Aldryaan Chief Executive Officer	Abdulaziz Hammad Al-Bulaihid Chairman


The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

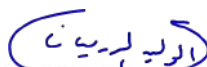


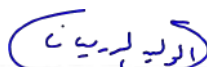
AL KHALEEJ TRAINING AND EDUCATION COMPANY  
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 SR	31 December 2019 (Restated) SR
Revenues		787,328,745	864,191,027
Cost of revenues		(683,728,338)	(727,015,669)
<b>GROSS PROFIT</b>		<b>103,600,407</b>	<b>137,175,358</b>
Selling and marketing expenses	19	(44,003,521)	(44,740,092)
General and administration expenses	20	(50,885,094)	(50,660,432)
Impairment of other financial assets	9	(4,248,162)	(21,239,987)
<b>PROFIT FROM MAIN OPERATIONS</b>		<b>4,463,630</b>	<b>20,534,847</b>
Goodwill impairment	5	---	(204,060)
Financial charges		(14,637,269)	(27,937,969)
Other income, net	21	23,219,672	74,445,764
<b>PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>13,046,033</b>	<b>66,838,582</b>
Zakat and income tax	18	(1,983,513)	(2,675,299)
<b>NET PROFIT FOR THE YEAR</b>		<b>11,062,520</b>	<b>64,163,283</b>
<b>NET PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Shareholders of the parent		10,742,224	59,359,517
Non-controlling interest		320,296	4,803,766
		<b>11,062,520</b>	<b>64,163,283</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE OF NET PROFIT FOR THE YEAR</b>	23	<b>0.24</b>	<b>1.32</b>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer


  
Abdulaziz Hammad Al-Bulaihid  
Chairman

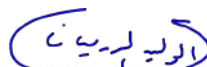
The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

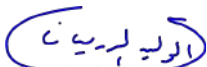
AL KHALEEJ TRAINING AND EDUCATION COMPANY  
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 SR	31 December 2019 (Restated) SR
NET PROFIT FOR THE YEAR	11,062,520	64,163,283
<b>OTHER COMPEREHNSINVE (LOSS) INCOME</b>		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Foreign currency translation reserve	870,897	(1,656,849)
	<u>870,897</u>	<u>(1,656,849)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Unrealized gain on investment in equity instruments at fair value through other comprehensive income	2,740,679	17,781,677
Actuarial loss on re-measurement of end of service benefits	(5,632,029)	(6,316,000)
<b>TOTAL OTHER COMPEREHNSINVE (LOSS)/INCOME</b>	<u>(2,020,453)</u>	<u>9,808,828</u>
<b>TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME</b>	<u>9,042,067</u>	<u>73,972,111</u>
<b>TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Shareholders of the parent	7,312,878	71,345,735
Non-controlling interest	1,729,189	2,626,376
	<u>9,042,067</u>	<u>73,972,111</u>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer

  
Abdulaziz Hammad Al-Bulaihid  
Chairman


The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements




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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to the shareholders of the parent					Total equity		
	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Fair value reserve	Equity	Non-controlling interest	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Balance at 1 January 2019 (Restated)	450,000,000	76,627,243	5,335,515	(2,755,173)	171,143	529,378,728	8,470,817	537,849,545
Net profit for the year	---	---	59,359,517	---	---	59,359,517	4,803,766	64,163,283
Other comprehensive income for the year	---	---	(6,316,000)	520,541	17,781,677	11,986,218	(2,177,390)	9,808,828
<b>Total profit and other comprehensive income</b>	---	---	53,043,517	520,541	17,781,677	71,345,735	2,626,376	73,972,111
Transfer to statutory reserves	---	6,416,328	(6,416,328)	---	---	---	---	---
<b>Balance at 31 December 2019 (Restated)</b>	<b>450,000,000</b>	<b>83,043,571</b>	<b>51,962,704</b>	<b>(2,234,632)</b>	<b>17,952,820</b>	<b>600,724,463</b>	<b>11,097,193</b>	<b>611,821,656</b>
Balance at 1 January 2020 (Restated)	450,000,000	83,043,571	51,962,704	(2,234,632)	17,952,820	600,724,463	11,097,193	611,821,656
Net profit for the year	---	---	10,742,224	---	---	10,742,224	320,296	11,062,520
Other comprehensive loss for the year	---	---	(5,632,029)	(537,996)	2,740,679	(3,429,346)	1,408,893	(2,020,453)
<b>Total profit and other comprehensive income</b>	---	---	5,110,195	(537,996)	2,740,679	7,312,878	1,729,189	9,042,067
Dividends paid	---	---	(11,250,000)	---	---	(11,250,000)	---	(11,250,000)
Dividends to non-controlling interest	---	---	---	---	---	---	(4,772,664)	(4,772,664)
Transfer to statutory reserves	---	1,106,252	(1,106,252)	---	---	---	---	---
<b>Balance at 31 December 2020</b>	<b>450,000,000</b>	<b>84,149,823</b>	<b>44,716,647</b>	<b>(2,772,628)</b>	<b>20,693,499</b>	<b>596,787,341</b>	<b>8,053,718</b>	<b>604,841,059</b>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer


  
Abdulaziz Hammad Al-Bulaihid  
Chairman

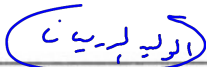
The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

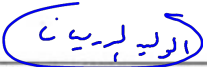
AL KHALEEJ TRAINING AND EDUCATION COMPANY  
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 SR	31 December 2019 (Restated) SR
<b>OPERATING ACTIVITIES</b>		
Profit before zakat and income tax	13,046,033	66,838,582
<b>Adjustments to:</b>		
Depreciation and amortization	49,533,027	42,306,459
Goodwill impairment	---	204,060
Deferred gain on sale of property and equipment	(803,748)	(803,748)
Gain on sale of property and equipment	---	(27,230,191)
Impairment of other financial assets	4,248,162	21,239,987
Bad debts	(125,916)	(692,895)
Provision for employees' end of service benefits	12,828,834	15,897,132
	<u>78,726,392</u>	<u>117,759,386</u>
<b>Net changes in working capital:</b>		
Accounts receivable	(53,045,506)	28,379,024
Other current assets	27,138,963	(21,655,922)
Unbilled revenue	(11,713,363)	(7,320,725)
Inventories	2,463,967	(299,362)
Related parties, net	1,668,192	(2,981,340)
Trade and other payables	(44,757,715)	37,305,714
<b>Cash from operating activities</b>	<u>480,930</u>	<u>151,186,775</u>
Employees' end of service benefits paid	(13,665,079)	(20,165,487)
Zakat and income tax paid	(3,116,682)	(2,798,525)
<b>Net cash (used in) from operating activities</b>	<u>(16,300,831)</u>	<u>128,222,763</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(42,344,886)	(59,974,256)
Proceed from sale of property and equipment	---	431,041,207
Purchase of investment	---	(232,359,547)
Additions to intangible assets	(906,035)	(1,983,205)
Right of use of assets	(19,328,636)	(283,900,230)
<b>Net cash used in investing activities</b>	<u>(62,579,557)</u>	<u>(147,176,031)</u>
<b>FINANCING ACTIVITIES</b>		
Notes Payable	1,935,782	(86,577,264)
Term loans, net	(25,952,259)	(22,880,392)
Lease obligations, net	(35,646,955)	273,570,208
Dividends paid	(11,250,000)	---
Foreign currency translation reserve	(537,996)	520,541
Non-controlling interest	(3,363,771)	(2,177,390)
<b>Net cash (used in) from financing activities</b>	<u>(74,815,199)</u>	<u>162,455,703</u>
<b>Net change in cash and cash equivalent</b>	<u>(153,695,587)</u>	<u>143,502,435</u>
Cash and cash equivalent at the beginning of the year	<u>181,967,462</u>	<u>38,465,027</u>
<b>Cash and cash equivalent at the end of the year</b>	<u>28,271,875</u>	<u>181,967,462</u>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer

  
Abdulaziz Hammad Al-Bulaihid  
Chairman

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. CORPORATE AND GROUP INFORMATION**

**1-1 Corporate information**

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

The Company and its subsidiaries (together, "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.

**1-2 Group information**

The following is the list of subsidiaries included in these consolidated financial statements which provide training services. The ownership percentages below as of 31 December 2020 and 31 December 2019.

<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**

**2-1 Basis of preparation**

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA"). They have been prepared under the assumption that the Group operates on a going concern basis.

**2-2 Basis of consolidation**

The consolidated financial statements comprise of the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement 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. The Company and its subsidiaries (collectively referred to as "the Group").

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. BASIS OF PREPARATION (CONTINUED)**

**2-2 Basis of consolidation (continued)**

Intra-group balances and transactions, and any unrealized profit and loss arising from intragroup 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 dates.

**2-3 Use of judgments, estimates and significant accounting assumptions**

In preparing these 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.

**2-4 Business combination**

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 consolidated statement of financial position. NCI are measured at their proportionate share of the acquires 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 consolidated statement of profit or loss and within equity in the consolidated statement of financial position.

**2-5 Functional and presentation currency**

The consolidated financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the parent company.

**3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

There are no new standards that have been issued, however, a number of amendments to the standards are effective from January 1, 2020 and are shown below, but they do not have a material impact on the financial statements of the company.

The following is a statement of the new standards and amendments to the applicable standards for years beginning on or after January 1, 2020:

**Amendments to the IFRS 3 – Definition of Business Activity**

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

**Amendments to IAS 1 and IAS 8 on the definition of material**

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- 1) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- 2) Clarify the explanation of the definition of essential;
- 3) incorporate some of the guidance in IAS 1 about immaterial information



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020

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3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

**Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform**

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Profit or Loss.

**Amendments to IFRS 16 “Leases” in response to the impacts of COVID-19 on tenants**

Effective June 1, 2020, IFRS 16 has been amended to provide a practical way for tenants to calculate rental concessions that arise as a direct result of the COVID-19 pandemic and only if all of the following conditions are met:

- a) that the change in lease payments results in a modified lease compensation that is substantially the same as, or less than, the lease compensation immediately before the change;
- b) that any reduction in rental payments affects only payments due, beginning, on or before June 30, 2021, and
- c) There should not be any material change in the other terms and conditions of the lease agreement.

Rental concessions that meet these criteria may be counted according to practical terms, which means that the tenant does not need to assess whether the rental lien meets the definition of a rental adjustment. Lessees apply other requirements in IFRS 16 in concession account.

**Standards issued but not yet effective**

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted them in preparing these Financial Statements.

**Amendments to IAS 1, ‘Presentation of financial statements’ on classification of liabilities**

These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

**Amendments to IFRS 3, IAS 16, IAS 37**

- IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

- IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

**Annual Improvements to IFRSs 2018–2020 Cycle**

These improvements are effective on or after 1 January 2021.

- IFRS 9, ‘Financial Instruments’ - Clarify the fees a company includes in performing the “10 per cent test” in order to assess whether to derecognize a financial liability.

- IFRS 16, ‘Leases’ - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020

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4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019.

**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.

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.

**Revenues**

Revenues arises mainly from providing training courses, school fees, communication service centers and education projects related to universities.

The control of services provided is transferred to the client over time, the Group meets the performance obligation and recognizes the revenues over a period of time as the customer receives and consumes the benefits of the Group's performance obligation at the same time as the Group provides the service and confirmed from the customer.

To determine whether to recognize revenue, the group follows a 5 steps process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligation
5. Recognizing revenue as performance obligations are satisfied



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance cost.

**Intangible assets (excluding goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development cost, are not capitalized and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit and loss when the asset is derecognized.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit and loss in the expense category consistent with the function of the intangible asset.

**Goodwill**

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less impairment losses.

**Property and equipment**

**Land**

Land held for use in production and administration is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

**Buildings, furniture and other equipment**

All other assets are recognized initially at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. These assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses if any.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of the buildings, furniture and other equipment. The following useful lives are applied:

<u>Description</u>	<u>Years</u>
Buildings	15-50
Furniture, office equipment and tools	4-9
Leasehold improvement	15 or less of the lease term
Vehicles	7

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the consolidated statement of profit or loss within other income or other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Inventories**

Inventories comprise mainly books and educational curriculums distributed during courses. Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expense.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing with 90 days from the date of acquisition that are readily convertible to cash, and which are subject to an insignificant risk of change in value.

**Financial instruments**

*Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of other financial assets which is presented within other expenses.

*Subsequent measurement of financial assets*

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

*Subsequent measurement of financial assets (continued)*

**Financial assets at fair value through profit or loss (FVTPL)**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

**Financial assets at fair value through other comprehensive income (FVOCI)**

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

***Impairment of financial assets***

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (continued)**

*Trade and other receivables*

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

*Classification and measurement of financial liabilities*

The Group's financial liabilities include overdraft, borrowings, trade and other payables and lease obligations.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**Equity, reserves and dividend payments**

*Share Capital*

Share Capital represents the nominal value of shares that have been issued. The Company's capital consists of 45 Million shares as at 31 Dec 2020 (31 December 2019: 45 Million shares) of SR 10 each.

*Statutory reserve*

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net profit for the year till it has built up a reserve equal to 30% of the capital.

*Foreign currency translation reserve*

Foreign currency translation reserve used to convert the results of a parent Company's foreign subsidiaries to its reporting currency. This is a key part of the financial statement consolidation process.

*Retained earnings*

Retained earnings includes of all current and prior period retained profits.

*Dividend payments*

Cash or non-cash dividends to shareholders of the parent company are recognized as a liability when the distribution is approved. According to the Regulations for Companies in the Kingdom of Saudi Arabia, dividends are approved upon approval by shareholders. The dividend amount is directly deducted from equity and recognized as a liability.

Non-monetary dividends, if any, are measured at the fair value of the assets to be allocated and the fair value re-measurement is recognized directly in equity. When a non-cash asset is distributed, any difference between the carrying amount of the liability and the carrying amount of the asset is recognized in the consolidated statement of profit and loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Employees end of service benefits**

The Group operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

**Provisions, contingent assets and contingent liabilities**

Provision for warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

**Zakat and income tax**

Zakat and income tax provision is calculated in accordance with the regulations of the General Authority of Zakat and income tax in the Kingdom of Saudi Arabia. Any differences in the estimate are recorded in the consolidated statement of profit or loss when the final assessment is approved, at which time the provision is cleared. Overseas subsidiaries provide for income tax liabilities, if any, in accordance with the regulations of the countries in which they operate. Zakat and income tax provision is charged to the consolidated statement of profit or loss.

**Foreign currency transaction and balances**

Foreign currency transactions are translated into Saudi Riyals entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Right of use assets and lease obligations**

The Company has recognized new assets and liabilities for its operating leases of operating leases of land. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in Condensed Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

**Significant management judgment in applying accounting policies and estimation uncertainty**

When preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurements of assets, liabilities, income and expenses.

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

a) **Provision for employees end of service benefits**

Management's estimate of the end of service benefits is based on a number of critical underlying assumptions such as anticipation of future salary increases, and discount rate used to convert future values. Variation in these assumptions may significantly impact the provision for end of service benefits and the expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant management judgment in applying accounting policies and estimation uncertainty (continued)

b) **Provision**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

c) **Useful lives of depreciable assets**

Management reviews its estimates of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets of the assets. Uncertainties in these estimates relates to technological obsolescence that may change utility of assets.

d) **Impairment of financial assets**

A provision for impairment in financial assets is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

e) **Impairment of non-financial assets and goodwill**

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses the interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

f) **Inventories provision**

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made and provide a provision for slow moving and obsolete inventory.

g) **Business combinations**

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

h) **Fair value measurements**

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumption on observable data as far as possible, but this is not always available. In that case management used the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

i) **Classification of investments**

On acquisition of an investment, management has to decide whether it should be classified as "at fair value through profit or loss", "available for sale" or as "loans and receivables" in making that judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of profit or loss or directly in equity.

j) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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5. INTANGIBLE ASSETS, NET

	31 December 2020	31 December 2019
	SR	SR
Goodwill (a)	32,321,592	32,321,592
Franchise rights and software (b)	8,678,715	8,396,408
	<u>41,000,307</u>	<u>40,718,000</u>

a) **Goodwill**

Goodwill is tested for impairment annually by management. According to the impairment test conducted by management as of 31 December 2020, the carrying amount of goodwill is less than its recoverable amount. The recoverable amount is determined based on the present value based on the expected cash flows generated in the future financial budget approved by the Group's management.

b) **Franchise rights and software**

The franchise is amortized over a period of 10 years. The movement during the year is as follows:

	31 December 2020	31 December 2019
	SR	SR
<b><u>Cost:</u></b>		
At the beginning of the year	18,984,946	17,001,741
Additions	906,035	1,983,205
At the end of the year	<u>19,890,981</u>	<u>18,984,946</u>
<b><u>Accumulated amortization:</u></b>		
At the beginning of the year	10,588,538	9,796,796
Additions	623,728	791,742
At the end of the year	<u>11,212,266</u>	<u>10,588,538</u>
<b>Net book value</b>	<u>8,678,715</u>	<u>8,396,408</u>



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6. PROPERTY AND EQUIPMENT, NET

	*Lands		Buildings		Furniture, office equipment and tools		Leasehold improvement		Vehicles		Construction work in progress		Total	
	SR		SR		SR		SR		SR		SR		SR	
<b>Cost:</b>														
At the beginning of the year	65,602,309		54,634,803		202,661,652		191,850,416		12,260,691		154,851,461		681,861,332	
Additions	---		6,266,501		2,657,550		18,762,628		509,899		14,148,308		42,344,886	
Disposal	---		---		(253,075)		---		---		---		(253,075)	
At the end of the year	65,602,309		60,901,304		205,066,127		210,613,044		12,770,590		168,999,769		723,953,143	
<b>Accumulated depreciation:</b>														
At the beginning of the year	---		28,485,814		122,110,653		82,850,252		11,550,475		---		244,997,194	
Depreciation of the year	---		3,068,587		12,172,610		4,440,615		176,936		---		19,858,748	
Disposals	---		---		(253,075)		---		---		---		(253,075)	
At the end of the year	---		31,554,401		134,030,188		87,290,867		11,727,411		---		264,602,867	
<b>Net book value:</b>														
At 31 December 2020	65,602,309		29,346,903		71,035,939		123,322,177		1,043,179		168,999,769		459,350,276	
At 31 December 2019	65,602,309		26,148,989		80,550,999		109,000,164		710,216		154,851,461		436,864,138	

\* Certain land parcels were pledged with several local banks against long-term loans (note 14).

Depreciation charge for the year has been allocated as follows:

	31 December 2020	31 December 2019
SR		
Direct costs	13,718,554	22,955,754
General and administrative expenses (note 20)	6,140,194	3,428,497
	19,858,748	26,384,251

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7. INVESTMENT IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020 SR	31 December 2019 SR
Investments in equity (A)	15,688,499	14,004,000
Investments in fund (B)	256,123,592	255,067,412
<b>At 31 December</b>	<b>271,812,091</b>	<b>269,071,412</b>

- A. The balance of investments in equity instruments at fair value through other comprehensive income as at 31 December 2020 represents the 14.7% (5,000 share) stake in NWHW Holdings Inc, a company registered in Delaware, USA. No dividends were received during the year ended 31 December 2020 and 2019.

	31 December 2020 SR	31 December 2019 SR
At 1 January	14,004,000	18,930,188
Change in fair value	1,684,499	(4,926,188)
<b>At 31 December</b>	<b>15,688,499</b>	<b>14,004,000</b>

The fair value has been determined based on the lowest level of significant inputs used in fair value measurement, as inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly and observable market data.

The Group has used most recent valuation report as at 31 December 2019, which has been prepared solely to determine the fair value of NWHW's common stock, on a non-marketable minority interest basis.

- B. The Groups has acquired a 26.4 million units of Al Rajhi REIT. Dividends were received during the year ended 31 December 2020 Amounting to SR 13,054,540.

	31 December 2020 SR	31 December 2019 SR
Additions	255,067,412	232,359,547
Change in fair value	1,056,180	22,707,865
<b>At 31 December</b>	<b>256,123,592</b>	<b>255,067,412</b>

The fair value has been determined based on the lowest level of significant inputs used in fair value measurement, as inputs quoted prices (unadjusted) in active markets for identical assets or liabilities.

- C. Change in fair value

	31 December 2020 SR	31 December 2019 SR
Balances at 1 January	17,952,820	171,143
Unrealized gain	2,740,679	17,781,677
<b>At 31 December</b>	<b>20,693,499</b>	<b>17,952,820</b>

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8. CASH AND CASH EQUIVALENT

	31 December 2020	31 December 2019
	SR	SR
Balances at banks	22,619,380	172,778,486
Cash in hand	5,652,495	9,188,976
	<u>28,271,875</u>	<u>181,967,462</u>

9. ACCOUNTS RECEIVABLE, NET

	31 December 2020	31 December 2019
	SR	SR
Trade receivables	380,292,274	327,246,768
Allowance for impairment of other financial assets	(45,198,545)	(41,076,299)
Total	<u>335,093,729</u>	<u>286,170,469</u>

Included in trade accounts receivable are amounts totaling SR 266 million (31 December 2019: SR 240 million) due from government and quasi-government institution, in which balance of SR 103 million is due over one year as of 31 December 2020 (31 December 2019: SR 166 million). The Group's management believes the wholly collectability of these amounts. In the estimation of the Group's management, it is expected that uncollectible receivables will be collected. The Group does not obtain guarantees or collateral as security against these receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of revenues over a period of 3 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Movements in the allowance of impairment of other financial assets were as follows:

	31 December 2020	31 December 2019
	SR	SR
Balance at 1 January	41,076,299	20,529,207
Charge for the year	4,248,162	21,239,987
Amounts written off during the year	(125,916)	(692,895)
	<u>45,198,545</u>	<u>41,076,299</u>

The aging analysis of these trade receivable is as follows:

	31 December 2020	31 December 2019
	SR	SR
Past due but not impaired	148,693,667	140,238,796
4 to 12 months	99,169,662	63,433,859
1 to 2 years	44,897,590	44,478,208
2 to 3 years	14,631,897	38,769,065
Over 3 years	72,899,458	40,326,840
	<u>380,292,274</u>	<u>327,246,768</u>



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10. OTHER CURRENT ASSETS

	31 December 2020	31 December 2019 (Restated)
	SR	SR
Prepaid expenses	33,835,394	54,276,862
Dividends receivable	10,012,795	---
Employees receivables	2,065,454	4,081,527
Refundable deposits	748,440	1,776,108
Advances to suppliers	---	11,964,216
Other receivables	5,564,889	7,267,222
	<u>52,226,972</u>	<u>79,365,935</u>

11. INVENTORY, NET

Inventory comprise mainly books and educational curriculums distributed during courses.

	31 December 2020	31 December 2019
	SR	SR
Inventories	11,433,180	14,376,994
Provision for obsolete and slow-moving inventory	(294,362)	(774,209)
	<u>11,138,818</u>	<u>13,602,785</u>

12. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties of the Group include shareholders, Board of Directors, key management personnel and entities of which they are principal owners.

The terms of the transactions with related parties are approved by the Group's management. Transactions with related parties are entered in the normal course of the Group's business. These balances are expected to be settled in the normal course of business. Pricing policies and terms of these transactions are at arm's length.

The Group's related parties' transactions and balances are as follows:

*Related parties' transactions:*

<u>Related party</u>	<u>Nature of transactions</u>	31 December 2020	31 December 2019
		SR	SR
Companies owned by directors	Rent as lessee	900,000	900,000
	Rent as lessor	1,366,000	1,366,000
<b><u>Key management remuneration</u></b>			
Board of directors	Bonuses	900,000	900,000
	Allowances	135,000	111,375
<b><i>Short-term benefits:</i></b>			
Salaries including bonuses	Salaries and bonuses	9,515,796	12,390,196
<b><i>Post-employment benefits:</i></b>			
Termination benefits	End of service	9,545,697	8,430,952

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12. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

*Related parties' balances:*

	31 December 2020	31 December 2019
	SR	SR
<b>a. Due from related parties</b>		
Companies owned by directors	---	1,430,809
<b>b. Due to related parties</b>		
Companies owned by directors	240,041	2,658

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 year ended 31 December 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.

13. SHARE CAPITAL

The Company's capital consists of 45 Million shares as at 31 December 2020 (31 December 2019: 45 Million shares) of SR 10 each.

14. 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.

	Shariah Riyadh Bank	Shariah Arab National Bank	Shariah Saudi British Bank	Shariah Al Rajhi Bank	Shariah National Commerci al Bank	Shariah Banque Saudi Fransi	Shariah Al Inma Bank	Shariah Al Jazera Bank	Total SR
	SR	SR	SR	SR	SR	SR	SR		SR
<b>31 December 2020</b>									
Short-term	6,400,000	104,000,000	27,000,000	20,000,000	15,000,000	28,613,840	52,000,000	8,000,000	261,013,840
Long-term:									
Current	---	---	---	---	---	---	---	---	---
Non-current	---	140,000,000	---	---	---	21,156,800	---	---	161,156,800
	---	140,000,000	---	---	---	21,156,800	---	---	161,156,800
<b>Total</b>	<u>6,400,000</u>	<u>244,000,000</u>	<u>27,000,000</u>	<u>20,000,000</u>	<u>15,000,000</u>	<u>49,770,640</u>	<u>52,000,000</u>	<u>8,000,000</u>	<u>422,170,640</u>
<b>31 December 2019</b>									
Short-term	140,000,000	70,000,000	8,000,000	20,000,000	20,000,000	31,993,901	35,000,000	---	324,993,901
Long-term:									
Current	---	17,142,857	---	7,441,557	---	---	---	---	24,584,414
Non-current	---	85,714,286	---	12,830,298	---	---	---	---	98,544,584
	---	102,857,143	---	20,271,855	---	---	---	---	123,128,998
<b>Total</b>	<u>140,000,000</u>	<u>172,857,143</u>	<u>8,000,000</u>	<u>40,271,855</u>	<u>20,000,000</u>	<u>31,993,901</u>	<u>35,000,000</u>	<u>---</u>	<u>448,122,899</u>

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15. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS, NET

The table below shows the right to use assets balance in and the depreciation charged as follows:

	31 December 2020	31 December 2019 (Restated)
	SR	SR
<b>Cost</b>		
The balance at beginning of the year	353,146,613	69,246,383
Additions during the year	19,328,636	283,900,230
The balance at end of the year	<u>372,475,249</u>	<u>353,146,613</u>
<b>Accumulated depreciation</b>		
The balance at beginning of the year	55,085,399	39,954,933
Charge for the year	29,050,551	15,130,466
The balance at end of the year	<u>84,135,950</u>	<u>55,085,399</u>
<b>Net book value</b>	<u>288,339,299</u>	<u>298,061,214</u>

The lease obligations as at the end of the year are as follows:

	31 December 2020	31 December 2019 (Restated)
	SR	SR
Non-current lease obligations	322,627,742	359,175,461
Current lease obligations	17,453,535	16,552,771
<b>Total lease obligations</b>	<u>340,081,277</u>	<u>375,728,232</u>

The finance costs from the recognized lease obligations during the year ended December 31, 2020 and December 31, 2019 amounted, and they are classified as follows:

	2020	2019 (Restated)
	SR	SR
Finance costs - statement of profit or loss and other comprehensive income	<u>27,434,213</u>	<u>10,323,128</u>

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

- Leased building through sale and lease back. As the Group has completed, on 15 December 2015, the sale of a newly constructed management building in Al-Ghadeer area in Riyadh, the cost of which is approximately SR 58.9 million, to Manafe' Holding Company, at a selling price of SR 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 SR 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 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 SR 48.7 million). In the consolidated statement of profit or loss the Group recognized an amount of SR 803,748 as gain from sale of the building (31 December 2019: SR 803,748).
- Schools leased building in Dammam on 25 August 2016, the Group has signed a contract with Mohammed Abdulaziz Al Rajhi & Sons Investment Group, to lease Al Ishraq Building Schools for 20 years.
- 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.



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16. 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 year is based on actuarial assumptions:

	31 December 2020	31 December 2019
	SR	SR
Balance at 1 January	56,013,132	53,965,487
Cost of service and interest	12,828,834	15,897,132
Actuarial loss	5,632,029	6,316,000
Paid during the year	(13,665,079)	(20,165,487)
	<u>60,808,916</u>	<u>56,013,132</u>
	31 December 2020	31 December 2019
	SR	SR
<i>Actuarial assumptions</i>		
<u>Financial assumptions</u>		
Discount rate	4.00%	4.40%
Salary increase rate	0.25%	1.25%
<u>Demographic assumptions</u>		
Employee turnover rate	40%	40%
	31 December 2020	31 December 2019
	SR	SR
<i>Sensitivity analysis</i>		
Discount rate +1%	(53,516,000)	(50,031,000)
Discount rate -1%	(60,339,000)	(56,605,000)
Salary increase rate +1%	(60,445,000)	(56,684,000)
Salary increase rate -1%	(53,373,000)	(49,913,000)
Employee turnover rate +1%	(57,195,000)	(53,357,000)
Employee turnover rate -1%	(56,126,000)	(52,767,000)

17. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
	SR	SR
Accrued expenses	48,765,095	56,849,732
Trade payable	21,482,712	23,397,048
Advances from customers	3,927,756	5,882,944
Value added tax payable	129,446	26,255,837
Other	561,530	7,238,693
	<u>74,866,539</u>	<u>119,624,254</u>

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**18. ZAKAT AND INCOME TAX PAYABLE**

a) The Zakat movement during the year ended 31 December was as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
	SR	SR
At the beginning of the year	2,607,860	2,731,086
Charge for the year	1,983,513	2,675,299
Paid during the year	<u>(3,116,682)</u>	<u>(2,798,525)</u>
At the end of the year	<u>1,474,691</u>	<u>2,607,860</u>

b) The Group had submitted its consolidated zakat declarations for all years up to 2019 and paid zakat obligations accordingly. The zakat was approved by the General Authority of Zakat and Income Tax (GAZT) for all years until 2006. Consequently, GAZT reviewed the Groups' declarations for the years from 2007 to 2014, resulting in a final assessment of SR 12,892,229. The amount was paid during the year 2018, however, the Group is still in disagreement with GAZT on an amount of SR 2,862,337. The Zakat declarations for the years 2015, 2016 and 2017 are still under review by the GAZT.

The Group has obtained zakat certificate valid until 8 Ramadan 1442H (corresponding to 30 April 2021G).

**19. SELLING AND MARKETING EXPENSES**

	<u>31 December 2020</u>	<u>31 December 2019</u>
	SR	SR
Staff cost	33,717,502	32,286,021
Advertising	6,716,138	8,665,665
Printing and publication	754,580	1,070,438
Gifts	105,977	590,899
Other	<u>2,709,324</u>	<u>2,127,069</u>
	<u>44,003,521</u>	<u>44,740,092</u>

**20. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>31 December 2020</u>	<u>31 December 2019</u>
	SR	SR
Staff cost	39,064,718	41,624,235
Depreciation (note 6)	6,140,194	3,428,497
Professional fees and consultations	2,414,217	1,840,374
Rent	1,998,088	1,645,265
Board of directors' compensation	900,000	900,000
Other	<u>367,877</u>	<u>1,222,061</u>
	<u>50,885,094</u>	<u>50,660,432</u>

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21. OTHER INCOME, NET

	31 December 2020 SR	31 December 2019 (Restated) SR
Al Rajhi reit Dividends	13,054,540	---
Rental income	9,361,384	5,021,257
Deferred gain from sale of property and equipment	803,748	803,748
Gain from sale of property and equipment	---	68,620,759
	23,219,672	74,445,764

22. CONTINGENCIES

*Contingent liability*

The Group's banks issued, on its behalf and during its normal course of business bank guarantees amounted to SR 88.3 million as at 31 December 2020 (31 December 2019: SR 73 million).

23. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Parent Company by the weighted average number of common shares during the year. 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 year.

	31 December 2020 SR	31 December 2019 SR
Profit for the year	10,742,224	59,359,517
Weighted average number of ordinary shares	45,000,000	45,000,000
Earnings per share	0.24	1.32



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**24. SEGMENT INFORMATION**

	<b>Computer</b>		<b>Language</b>		<b>Financial and management training</b>		<b>Communication center</b>		<b>Universities</b>		<b>Schools</b>		<b>Total</b>	
	SR		SR		SR		SR		SR		SR		SR	
<b>31 December 2020</b>														
Revenues	91,823,434		49,532,931		49,230,737		376,253,378		92,325,887		128,162,378		787,328,745	
Depreciation and amortization	5,098,096		2,745,129		1,604,784		8,632,274		168,098		31,284,646		49,533,027	
Profit before zakat and income tax	4,248,650		(6,013,177)		3,389,534		6,216,980		3,279,650		1,924,396		13,046,033	
Total assets	207,833,132		110,371,686		58,498,885		318,152,558		57,753,389		769,024,735		1,521,634,385	
Total liabilities	2,234,386		1,203,131		53,369,049		81,003,373		53,533,722		725,449,665		916,793,326	
<b>Other:</b>														
Capital expenditure	2,217,555		5,000,221		146,662		14,957,627		320,581		19,702,240		42,344,886	
<b>31 December 2019 (Restated)</b>														
Revenues	131,426,583		64,620,691		82,203,430		364,994,344		93,860,829		127,085,150		864,191,027	
Depreciation and amortization	9,044,570		4,870,153		2,292,723		9,547,135		169,426		16,382,452		42,306,459	
Profit before zakat and income tax	30,504,143		1,666,897		6,773,356		8,007,581		949,092		18,937,513		66,838,582	
Total assets	209,220,678		112,657,288		68,461,955		292,590,211		61,454,058		885,555,689		1,629,939,879	
Total liabilities	2,354,446		1,267,778		51,478,270		92,581,744		60,526,946		809,909,037		1,018,118,221	
<b>Other:</b>														
Capital expenditure	9,803,090		5,278,587		3,143,390		23,579,090		474,776		250,054,870		292,333,803	

Substantially, all the Group's operating assets are located in the Kingdom of Saudi Arabia. It is not meaningful to disclose information to individual geographic areas.

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**25. CORRECTIONS ERRORS**

During the current year, the management discovered the existence of accounting errors related to previous years, which are as follows:

- The existence of fundamental differences that resulted from incorrectly registering the rights to use assets and lease obligations when applying accounting standard IFRS 16 "Leases" for the first time with retroactive effect, which resulted in an adjustment to the rights of use of assets, lease obligations and profit resulting from the sale and leaseback of some assets during the year 2019, Retained earnings
- Within the prepaid expenses, there are amounts in the opening balances that do not pertain to the current year but pertain to previous years that have not been charged to the comprehensive income statements for these years, which resulted in an adjustment in the opening balances of prepaid expenses and the balance of retained earnings.

The impact of the above on the financial statements is as follows:

**The impact of the amendment on the financial position as of December 31, 2019:**

	Amount recorded previously 31 December 2019	Adjustment effect	Balance after adjustment 31 December 2019
	SR	SR	SR
Rights of use assets	400,458,252	(102,397,038)	298,061,214
Other current assets	128,355,188	(48,989,253)	79,365,935
Lease obligations	509,231,998	(133,503,766)	375,728,232
Statutory reserve	83,054,313	(10,742)	83,043,571
Retained earnings	69,834,487	(17,871,783)	51,962,704

**The effect of the amendment on the statement of profit or loss and other comprehensive income for the year ended December 31, 2019:**

	Amount recorded previously 31 December 2019	Adjustment effect	Balance after adjustment 31 December 2019
	SR	SR	SR
Direct costs	(685,517,683)	(41,497,986)	(727,015,669)
Other income	33,055,196	41,390,568	74,445,764

**The impact of the amendment on the balance sheet as of January 1, 2019:**

	Amount recorded previously 31 December 2018	Adjustment effect	Balance after adjustment 1 January 2019
	SR	SR	SR
Rights of use assets	92,198,577	(62,907,127)	29,291,450
Other current assets	63,834,199	(6,124,186)	57,710,013
Lease obligations	153,414,230	(51,256,206)	102,158,024
Retained earnings	23,110,622	(17,775,107)	5,335,515

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**26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Financial instruments**

Financial assets of the Group consist of cash and cash equivalent, accounts receivable, unbilled revenues and investment in equity instruments at fair value through other comprehensive income. Financial liabilities of the Group consist of Notes Payable, term loans, lease obligations and trade payable.

*Classification of financial instruments*

	31 December 2020	31 December 2019 (Restated)
	SR	SR
<b><u>FINANCIAL ASSETS</u></b>		
<b>Financial assets at fair value through other comprehensive income</b>		
Investment in equity instruments at fair value through other comprehensive income	271,812,091	269,071,412
<b>Financial assets at amortized cost</b>		
Cash and cash equivalent	28,271,875	181,967,462
Accounts receivable, net	335,093,729	286,170,469
Unbilled revenues	34,401,018	22,687,655
<b><u>FINANCIAL LIABILITIES</u></b>		
<b>Financial liabilities at amortized cost</b>		
Long-term loans	161,156,800	98,544,584
Lease obligations	322,627,742	359,175,461
Notes Payable	5,496,872	3,561,090
Short-term loans	261,013,840	324,993,901
Current portion of long-term loans	—	24,584,414
Current portion of lease obligations	17,453,535	16,552,771
Trade payable	21,482,712	23,397,048

**Risk management**

The main financial risks arising from the Group's financial instruments are credit risk, liquidity risk and fair value risk. Management reviews and reconciles policies to manage these risks.

*Credit risk*

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade and other accounts receivable are mainly due from large number of customers (corporations and individuals) as well as government institutions. The Group limits its credit risk to customers by setting a credit limit for each customer and monitoring outstanding accounts. Trade and other receivable are stated at their estimated realizable values.

*Interest rate risk*

Interest rate risk are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risk arise mainly from short term bank debts and long term debts and lease obligations, which are at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. Management monitors the changes in interest rates on a regular basis.



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26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk management (continued)

*Interest rate risk (continued)*

*Interest rate sensitivity:*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2020, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 1% (31 December 2019: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Effect on profit for the year	
	+1%	-1%
	SR	SR
31 December 2020	(9,019,114)	9,019,114
31 December 2019 (Restated)	(9,573,549)	9,573,549

*Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

*Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi riyal, United States dollar, Pound Sterling, Egyptian Pound and Arab Emirate Dirham. Other transactions in foreign currencies are not material. Currency risk is managed on regular basis.

The Group operates internationally and is exposed to currency risk arising from exposure to different currencies. The Group also has investments in subsidiaries and associates whose net assets are exposed to currency risk. These risks are currently reflected in currency exchange rate fluctuations between the Saudi Riyal, the UAE Dirham, the Pound Sterling, Egyptian Pound and the US Dollar. The exchange rate fluctuation between Saudi riyal, the UAE dirham and the pound are recorded in a separate line item in equity in the consolidated financial statements.

*Foreign currency sensitivity:*

Most of the Group's transactions are carried out in Saudi Riyals (SR). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US dollars (USD), Pounds Sterling (GBP), Egyptian Pound (EGP) and UAE dirham (AED).

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**27. FAIR VALUE 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. Differences between carrying amount and fair value estimates may arise. The definition of fair value is market-based measurement and assumptions used by market participants.

Assets and liabilities measured at fair value in the 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.

<u>31 December 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>FINANCIAL ASSETS</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
Investment in equity instruments at fair value through other comprehensive income	256,123,592	15,688,499	---	271,812,091
Cash and cash equivalent	28,271,875	---	---	28,271,875
Accounts receivable, net	335,093,729	---	---	335,093,729
Unbilled revenues	34,401,018	---	---	34,401,018
 <u>FINANCIAL LIABILITIES</u>				
Long-term loans	161,156,800	---	---	161,156,800
Lease obligations	322,627,742	---	---	322,627,742
Notes Payable	5,496,872	---	---	5,496,872
Short-term loans	261,013,840	---	---	261,013,840
Current portion of long-term loans	---	---	---	---
Current portion of lease obligations	17,453,535	---	---	17,453,535
Trade payables	21,482,712	---	---	21,482,712

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**27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

<u>31 December 2019 (Restated)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>FINANCIAL ASSETS</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
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
 <u>FINANCIAL LIABILITIES</u>				
Long-term loans	98,544,584	---	---	98,544,584
Lease obligations	359,175,461	---	---	359,175,461
Notes Payable	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	16,552,771	---	---	16,552,771
Trade payables	23,397,048	---	---	23,397,048

**28. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Group's capital management objectives are:

- a. To ensure the Group's ability to continue as a going concern.
- b. To provide an adequate return to shareholders by pricing products and services in a way that reflect the level of risk included in providing those goods and services.

The group goal in capital management is to maintain a high capital to overall financing ratio. Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

**29. GENERAL ASSEMBLY RESOLUTION**

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 award bonus to the board members with total amount of SR 900,000 for the year ended 31 December 2019.

**30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors has approved the consolidated financial statements on 18 Sha'ban 1442H (corresponding to 31 March 2021G).