

**AL KHALEEF TRAINING AND EDUCATION COMPANY
AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' LIMITED REVIEW REPORT
For the three months ended 31 March 2016**

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' LIMITED
REVIEW REPORT

For the three months ended 31 March 2016

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**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Al Khaleej Training and Education Company - a Saudi joint stock company - (the Company) and its subsidiaries (the Group) as of 31 March 2016, the related interim consolidated statements of income and cash flows for the three months then ended, and the related notes from 1 to 11 which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organization of Certified Public Accountants standard on review of interim financial statements. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review result

Based on our limited review, we are not aware of any material modification that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

International Accountants

Khalid Ali Ibrahim Otain
Registration No. 373



Riyadh: 11 Rajab 1437H
18 April 2016

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

Interim consolidated balance sheet
As at 31 March 2016

	Notes	2016 (unaudited) SR	2015 (unaudited) SR
ASSETS			
Current assets			
Bank balances and cash		16,351,748	21,125,740
Accounts receivable and prepayments	4	408,642,270	373,223,476
Accrued revenues		7,774,661	19,976,720
Inventories		11,895,498	10,866,882
Due from related parties		6,031,974	260,306
Total current assets		450,696,151	425,453,124
Non-current assets			
Investments in securities available for sale		18,759,045	18,759,045
Investment in an unconsolidated subsidiary		1,126,800	-
Intangible assets, net		35,361,032	35,884,803
Property and equipment, net		629,924,998	520,377,820
Total non-current assets		685,171,875	575,021,668
TOTAL ASSETS		1,135,868,026	1,000,474,792
LIABILITIES AND EQUITY			
Current liabilities			
Due to banks		57,593,257	61,342,765
Short term loans		168,000,000	127,302,168
Term loans – current portion		42,536,431	25,000,000
Deferred gain from sale of property and equipment – current portion		803,748	-
Obligations under capital leases – current portion		3,237,456	1,838,618
Accounts payable and accruals		21,678,457	60,098,853
Due to related parties		7,062,610	8,781,886
Zakat provision		3,886,113	2,607,785
Total current liabilities		304,798,072	286,972,075
Non-current liabilities			
Term loans		160,095,293	165,912,216
Deferred gain from sale of property and equipment – non-current portion		14,668,405	-
Obligations under capital leases		69,779,972	830,675
Employees' terminal benefits		42,835,890	36,131,609
Total non-current liabilities		287,379,560	202,874,500
Total Liabilities		592,177,632	489,846,575
EQUITY			
Shareholders' equity			
Share capital	5	400,000,000	350,000,000
Statutory reserve		63,577,698	56,688,813
Retained earnings		70,805,890	95,100,714
Foreign currency translation adjustments		(1,470,439)	(1,082,733)
Total shareholders' equity		532,913,149	500,706,794
Minority interests		10,777,245	9,921,423
Total owners' equity		543,690,394	510,628,217
TOTAL LIABILITIES AND EQUITY		1,135,868,026	1,000,474,792

The attached notes 1 to 11 form part of these interim consolidated financial statements.

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

Interim consolidated statement of income
For the three months ended 31 March 2016

	<i>Notes</i>	2016 (unaudited) SR	2015 (unaudited) SR
Revenues		166,168,247	187,252,129
Direct costs		(130,622,997)	(144,738,876)
GROSS PROFIT		35,545,250	42,513,253
EXPENSES			
Selling and marketing		(10,093,596)	(10,586,693)
General and administration		(13,990,344)	(13,115,391)
TOTAL EXPENSES		(24,083,940)	(23,702,084)
INCOME FROM MAIN OPERATIONS		11,461,310	18,811,169
Other income		849,935	680,531
Financial charges		(3,573,517)	(2,290,028)
INCOME BEFORE MINORITY INTERESTS AND ZAKAT		8,737,728	17,201,672
Minority interest		5,623	(1,063,535)
INCOME BEFORE ZAKAT		8,743,351	16,138,137
Zakat		(500,000)	(500,000)
NET INCOME FOR THE PERIOD		8,243,351	15,638,137
EARNING PER SHARE:	8		
Attributable to income from main and continuing operation		0.29	0.44
Attributable to net income for the period		0.21	0.39

The attached notes 1 to 11 form part of these interim consolidated financial statements.

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

Interim consolidated of cash flows

For the Three months ended 31 March 2016

	<i>2016</i> <i>(unaudited)</i> <i>SR</i>	<i>2015</i> <i>(unaudited)</i> <i>SR</i>
OPERATING ACTIVITIES		
Income before minority interests and zakat	8,737,728	17,201,672
Adjustments for:		
Gain on sale of property and equipment	(200,937)	-
Depreciation and amortization	6,801,394	5,044,343
Provision for employees' terminal benefits	3,335,284	4,100,655
Provision for doubtful debts	1,850,000	1,170,963
	20,523,469	27,517,633
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(5,344,218)	(45,606,728)
Inventories	58,246	1,280,599
Accrued revenues	1,723,793	1,600,790
Accounts payable and accruals	(17,827,119)	(29,533,407)
Cash used in operations	(865,829)	(44,741,113)
Employees' terminal benefits paid	(2,430,055)	(2,699,476)
Net cash used in operating activities	(3,295,884)	(47,440,589)
INVESTING ACTIVITIES		
Purchase of property and equipment	(19,138,725)	(25,497,732)
Advance on account of purchase of investments	-	2,802,115
Intangible assets	(196,307)	(160,756)
Net cash used in investing activities	(19,335,032)	(22,856,373)
FINANCING ACTIVITIES		
Due to banks	4,118,440	42,322,466
Borrowings, net	8,521,841	24,775,437
Related parties	1,413,283	4,886,125
Obligations under capital lease, net	(531,672)	(567,503)
Murabaha financing, net	-	(1,500,580)
Foreign currency translation adjustments	(259,874)	118,869
Minority interests	(676,395)	(5,581,427)
Net cash from financing activities	12,585,623	64,453,387
DECREASE IN BANK BALANCES AND CASH	(10,045,293)	(5,843,575)
Bank balances and cash at the beginning of the period	26,397,041	26,969,315
BANK BALANCES AND CASH AT THE END OF THE PERIOD	16,351,748	21,125,740
Non Cash Transactions:		
Purchase of property and equipment by Obligations under capital lease	-	305,507

The attached notes 1 to 11 form part of these interim consolidated financial statements.

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

Notes to the interim consolidated financial statements

31 March 2016

1 ACTIVITIES

Al Khaleej Training and Education Company (the Company) is a Saudi Joint Stock Company registered under commercial registration number 1010103367 dated 30 Jamada Awal 1413 H (corresponding to 24 November 1992), and is engaged in the training services for computer and related electronics services, establishment and constructions of schools and cafeterias, teaching English language, holding training courses, operation maintenance and computer software, installation of networks, infrastructures, communication systems, call centers and technical supports.

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

<i>Subsidiary companies</i>	<i>Country of incorporation</i>	<i>Direct / indirect ownership</i>
Fast Lane Group	United Arab Emirates	80%
Al Khaleej Training and Information Technology Company	Egypt	57 %
Online Trading Academy	United Arab Emirates	100%
E-Arts Consulting (1)	United Arab Emirates	60%
Applied Digital Media Services Company	United Arab Emirates	90%
Franklin Covey Company	United Arab Emirates	51%
Linguaphone Limited Company	United Kingdom	100%

1) The operating activities have stopped at E-Arts Consulting Company, and it is now in liquidation phase.

The Company also has a 50% interest in Al Khaleej Training and Education Company and Al Alamiah Education and Training Company (the joint Project), jointly controlled entity, which is involved in providing training services in computer and related electronics services and the maintenance thereof, the operating activities have stopped in the project and it will be closing after the collection of outstanding receivables in the project.

The financial statement of Jobzella For Information Technology FZ LLC, incorporated in the UAE, in which the Company owns a 70% share, have not been consolidated in these interim consolidated financial statements, as the subsidiary has not started its operations yet.

2 BASIS OF CONSOLIDATION

These interim consolidated financial statements include assets, liabilities and the result of operations of the company and its subsidiaries (the Group) listed in note (1) above.

Subsidiary companies are those in which the Company has long term investments comprising an interest of more than 50% in the voting capital and over which it exerts practical control. Subsidiaries are consolidated from the date the Company obtains control on these subsidiaries until such time as control ceases. The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The Group recognizes its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its interim consolidated financial statements. The jointly controlled entity is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

All significant inter-company balances and transactions have been eliminated on consolidation.

Minority interest represents the portion of profit or loss and net assets not held by the Company and are presented separately in the interim consolidated balance sheet and in the interim consolidated statement of income.

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

Notes to the interim consolidated financial statements (continued)

31 March 2016

3 SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies adopted in the preparation of the interim consolidated financial statements, summarized below, are in conformity with those described in the annual consolidated financial statements for the year ended 31 December 2015.

Accounting convention

These interim consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of investments in available for sale securities.

Use of estimates

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Property and equipment

Freehold land and construction work in progress are not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

	Estimated useful lives
Buildings	33 years
Office furniture, equipment and tools	3-7 years
Leased improvements	5 years
Motor vehicles	4 years
Assets held under capital lease	3 years

Repair and maintenance expenses are charged to the income.

Leasehold improvements which materially increase over the value or useful life of related asset are capitalized.

Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the fair value of the acquiree's net assets. Following initial recognition, goodwill is tested annually for impairment, and carried at cost less any accumulated impairment losses.

Franchises

Franchises, being treated as intangible assets, are measured on initial recognition at cost. Following initial recognition, franchises are carried at cost less accumulated amortization and accumulated impairment losses, if any. Franchises are amortized over the estimated useful lives of benefits.

Impairment of financial assets

The Group periodically reviews the carrying amounts of its long term assets to determine whether there is objective evidence that those assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and any impairment loss is recognized by the difference between the asset's recoverable amount and the carrying value. Impairment loss is recognized in the statement of income.

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

Notes to the interim consolidated financial statements (continued)

31 March 2016

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets - continued

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount.

Impairment losses are recognized as an expense in the consolidated statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Except for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the depreciation/amortization amount that would have been recognized had the original impairment not occurred for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income.

Investments in available for sale securities

After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are remeasured at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss-previously reported in shareholders' equity-is included in the interim consolidated statement of income for the year.

Fair value is determined by reference to the market value if an open market exists, or using other alternative method. Otherwise, cost is considered to be the fair value.

Inventories

Inventories are valued at the lower of cost and market. Cost is determined on a weighted average basis.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off as incurred.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Zakat and income tax

Zakat on the Company is provided for in accordance with Saudi Arabian fiscal regulations. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization. The interim consolidated statement of income is charged by an approximate amount of zakat according to the management's estimated. Differences are charged to the annual consolidated statement of income upon finalization of calculation.

Overseas subsidiaries provide for income tax liabilities, if any, in accordance with the regulations of the countries in which they operate.

Employees' terminal benefits

Provision for employees terminal benefits is provided in accordance with Saudi Labor Law, overseas subsidiaries, provide it in accordance with the regulations of the countries in which they operate.

Revenue recognition

Revenue represents the value of services rendered by the Group during the period, net of discounts.

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

Notes to the interim consolidated financial statements (continued)

31 March 2016

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

Capital leases are capitalized at the present value of the minimum lease payments at the inception of the lease term and are disclosed as "assets held under capital leases" under property and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the interim consolidated statement of income.

Capitalized leased assets are depreciated over the lesser of the lease term or the estimated useful lives of the assets.

Gains from the sale and leaseback of property and equipment are deferred, and are recognized in subsequent period in correlation with depreciation.

Operating lease receipts and payments are recognized as an income and expense in the interim consolidated statement of income on a straight line basis over the lease term.

Expenses

Selling and marketing expenses are those which specifically relate to salesmen, promotions, advertising and marketing as well as provision for doubtful debts. All other expenses are classified as general and administration expenses.

Foreign currencies

Transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the interim consolidated statement of income.

Foreign currency translation

The financial statements of overseas subsidiaries' operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity.

Segmental information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Company carries out majority of its activities in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

4 ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in trade accounts receivable and prepayments are amounts totaling SR 224.2 million (31 March 2015: SR 193.5 million) due from government and quasi-government institution, of which a balance of SR 52 million is over one year due as of 31 March 2016 (31 March 2015: SR 37.2 million). Management believes that these amounts are fully recoverable.

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

Notes to the interim consolidated financial statements (continued)

31 March 2016

6 SALE AND LEASEBACK OF A BUILDING

The Company has completed, on 15 September 2015, the sale of a newly constructed management building in Al-Ghadeer area in Riyadh, the cost of which is approximately SR 58.9 million, to Manafe' Holding Company, at a selling price of SR 75 million, in order to finance the Company's expansion in educational projects. Gain from the sale transaction, amounting to approximately SR 16 million, were 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 capital lease. SR 200,937 of the deferred gains from the sale of the building have been recognized in the interim consolidated statement of income during the period.

5 SHARE CAPITAL

The share capital of the Company consists of 40 million shares (31 March 2015: 35 million shares) of SR 10 each.

7 SEASONALITY AND INTERIM RESULTS

The activities of the Group and its revenues are affected by seasonality during the year, as revenues of the Group decline during vacations and the holy month of Ramadan. Accordingly, the results of operations for the interim financial period might not give an exact indication about the actual results of the whole year's operations.

Management believes that the interim consolidated financial statements include all adjustments (including regular repetitive adjustments) necessary to present fairly the results of operations of the presented interim financial periods.

8 EARNINGS PER SHARE

Earnings per share has been calculated on the basis of the number of share issued as of the end of the period. Accordingly, the number of share issued and granted as at 31 March 2016 amounted to 40 million shares. Earnings per share for the comparative period of 2015 has been adjusted to reflect the effect of the bonus shares granted on 2 Rajab 1436H (corresponding to 15 April 2015).

9 SEGMENT INFORMATION

The segmental information are 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 a certain segment and items that can reasonably be allocated between business segments.

The Group is organized into the following main business segments:

1- Computer training

Serves individual and corporate segments. Individual segment incorporates training courses with period from 3 month to two years diplomat. 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.

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

Notes to the interim consolidated financial statements (continued)
31 March 2016

9 SEGMENT INFORMATION - continued

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 and girls inside the Kingdom of Saudi Arabia.

	Computer SR	Language SR	Educational projects SR	Financial and management training SR	Communication centers SR	Schools SR	Total SR
31 March 2016 (unaudited)							
Revenue	28,538,950	15,158,828	29,040,967	16,683,883	61,741,014	15,004,605	166,168,247
Gross profit	6,033,035	5,035,316	4,961,281	6,369,586	9,168,733	3,977,299	35,545,250
Property and equipment, net	130,953,283	65,476,642	8,730,219	13,095,328	6,316,785	405,352,741	629,924,998
Total assets	304,973,359	152,486,679	20,581,557	32,543,621	203,796,008	421,486,802	1,135,868,026
Total liabilities	83,413,016	41,706,508	5,560,869	10,387,587	35,623,749	415,485,903	592,177,632

	Computer SR	Language SR	Educational projects SR	Financial and management training SR	Communication centers SR	Schools SR	Total SR
31 March 2015 (unaudited)							
Revenue	39,260,936	20,487,399	44,009,179	14,729,005	57,618,118	11,147,492	187,252,129
Gross profit	8,906,923	6,774,407	7,388,666	6,734,456	10,044,172	2,664,629	42,513,253
Property and equipment, net	149,047,151	74,523,576	9,936,477	14,904,715	5,150,009	266,815,892	520,377,820
Total assets	323,366,489	161,683,245	21,557,766	32,336,649	177,487,751	284,042,892	1,000,474,792
Total liabilities	163,181,863	81,590,931	10,878,791	16,318,186	42,523,074	175,353,730	489,846,575

A substantial portion of the Group's activities is in the Kingdom of Saudi Arabia. Accordingly, it is impractical to present information on individual geographic areas.

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

Notes to the interim consolidated financial statements (continued)
31 March 2016

10 GENERAL ASSEMBLY RESOLUTIONS

The General Assembly has agreed on the following recommendations of the Board of Directors in its meeting held on 8 Jumada Al-Awal 1437 H (corresponding to 17 February 2016) to distribute of cash dividends amounting to SR 40 million (SR 1 per share). That is to adopt these recommendations at the next general assembly of shareholders.

11 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors in its meeting held on 11 Rajab 1437H (corresponding to 18 April 2016), has approved the consolidated financial statements.