

**AL KHALEEJ TRAINING AND
EDUCATION COMPANY AND ITS
SUBSIDIARIES
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND REVIEW REPORT
FOR THE THREE MONTHS ENDED
31 MARCH 2019**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

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Independent auditors' review report

To the shareholders of
Al Khaleej Training and Education Company and its Subsidiaries
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Khaleej Training and Education Company (A Saudi Joint Stock Company) ("the Company") and its Subsidiaries (collectively referred to as "the Group") as at 31 March 2019 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for period then ended, and the related notes from (1) to (17) which form an integral part of these interim condensed consolidated financial information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

Aldar Audit Bureau
Abdullah Al Basri & Co.



Abdullah M. Al Basri
Certified Public Accountant
(License No. 171)

Riyadh on 1 Ramadan 1440 H
Corresponding to 6 May 2019 G

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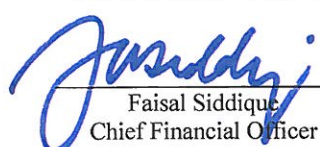
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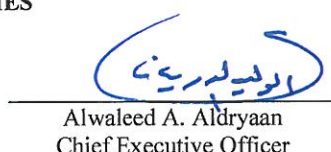
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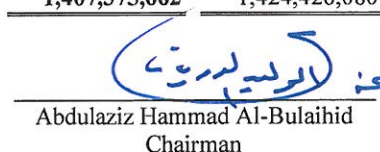
AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	31 March 2019 SAR (Unaudited)	31 December 2018 SAR (Audited)
ASSETS			
Non-current assets			
Intangible assets, net		40,048,523	39,730,597
Right of use assets	3-1	90,221,779	92,198,577
Property and equipment, net	4	809,163,848	807,085,149
Investment in equity instruments at fair value through other comprehensive income		18,930,188	18,930,188
		<u>958,364,338</u>	<u>957,944,511</u>
Current assets			
Cash and cash equivalents		30,090,078	38,465,027
Accounts receivables, net	5	323,812,538	335,096,585
Other current assets		71,833,268	63,834,199
Unbilled revenue		8,852,038	15,366,930
Inventories, net		14,423,402	13,303,423
Due from related parties	6	---	415,405
		<u>449,011,324</u>	<u>466,481,569</u>
TOTAL ASSETS		<u>1,407,375,662</u>	<u>1,424,426,080</u>
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent			
Share capital	7	450,000,000	450,000,000
Statutory reserve		76,627,243	76,627,243
Retained earnings		30,428,011	23,110,622
Foreign currency translation reserve		(1,958,283)	(2,755,173)
Fair value reserve		171,143	171,143
Total equity attributable to the shareholders of the parent		<u>555,268,114</u>	<u>547,153,835</u>
Non-controlling interest		9,032,514	8,470,817
Total equity		<u>564,300,628</u>	<u>555,624,652</u>
LIABILITIES			
Non-current liabilities			
Long-term loans	8	126,427,854	136,827,670
Deferred gain from sale of property and equipment	9	12,257,161	12,458,098
Lease obligations	9	132,957,379	136,431,430
Employees' end of service benefits	10	55,777,541	53,965,487
		<u>327,419,935</u>	<u>339,682,685</u>
Current liabilities			
Banks overdraft		29,428,844	90,138,354
Short-term loans		325,155,448	289,459,002
Current portion of long-term loans		53,416,435	44,716,619
Deferred gain from sale of property and equipment – current portion	9	803,748	803,748
Current portion of lease obligations	9	17,791,670	16,982,800
Trade and other payables		83,792,781	82,318,540
Due to related parties	6	2,035,087	1,968,594
Zakat and income tax payable		3,231,086	2,731,086
		<u>515,655,099</u>	<u>529,118,743</u>
Total liabilities		<u>843,075,034</u>	<u>868,801,428</u>
TOTAL EQUITY AND LIABILITIES		<u>1,407,375,662</u>	<u>1,424,426,080</u>


Faisal Siddique
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer


Abdulaziz Hammad Al-Bulaihid
Chairman

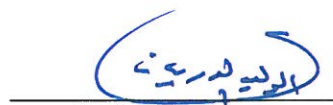
The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements

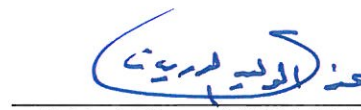
AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	<i>Note</i>	31 March 2019	31 March 2018
		SAR	SAR
		(Unaudited)	(Unaudited)
Revenues		214,150,927	198,368,820
Cost of revenues		(172,733,957)	(160,601,505)
GROSS PROFIT		41,416,970	37,767,315
Selling and marketing expenses		(4,437,218)	(5,588,083)
General and administrative expenses		(19,597,146)	(21,594,801)
Impairment of other financial assets		(2,452,030)	(1,200,000)
PROFIT FROM MAIN OPERATIONS		14,930,576	9,384,431
Other income, net		1,132,701	808,417
Financial charges		(7,576,946)	(5,446,724)
PROFIT BEFORE ZAKAT AND INCOME TAX		8,486,331	4,746,124
Zakat and income tax		(500,000)	(250,000)
NET PROFIT FOR THE PERIOD		7,986,331	4,496,124
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the parent		7,317,389	4,259,895
Non-controlling interest		668,942	236,229
		7,986,331	4,496,124
BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD	11	0.16	0.09


Faisal Siddique
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer

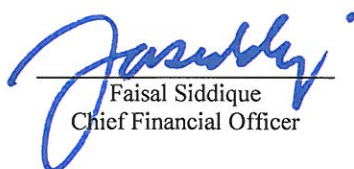

Abdulaziz Hammad Al-Bulaihid
Chairman

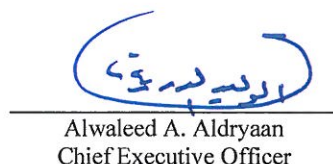
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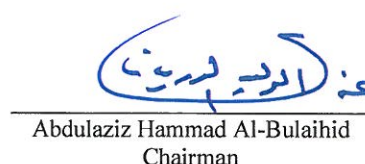
AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	31 March 2019	31 March 2018
	SAR	SAR
	(Unaudited)	(Unaudited)
NET PROFIT FOR THE PERIOD	7,986,331	4,496,124
OTHER COMPEREHNSINVE INCOME		
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation reserve	689,645	(304,588)
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME	8,675,976	4,191,536
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the parent	8,114,279	3,955,888
Non-controlling interest	561,697	235,648
	8,675,976	4,191,536


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Chief Executive Officer


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Chairman

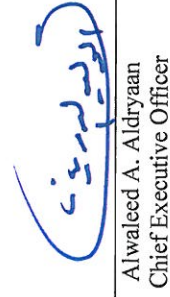
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**AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

	Equity attributable to the shareholders of the parent					Total equity			
	Share capital SAR	Statutory reserve SAR	Retained earnings SAR	Foreign currency translation reserve		Fair value reserve SAR	Equity SAR	Non-controlling interest SAR	Total SAR
				SAR					
Balance at 1 January 2018 (Audited)	400,000,000	73,192,562	71,666,465	(1,671,251)	---	---	543,187,776	10,046,784	553,234,560
Net profit for the period	---	---	4,259,895	---	---	---	4,259,895	236,229	4,496,124
Other comprehensive loss	---	---	---	(304,007)	---	---	(304,007)	(581)	(304,588)
Total profit and other comprehensive income	---	---	4,259,895	(304,007)	---	---	3,955,888	235,648	4,191,536
Balance at 31 March 2018 (Unaudited)	400,000,000	73,192,562	75,926,360	(1,975,258)	---	---	547,143,664	10,282,432	557,426,096
Balance at 1 January 2019 (Audited)	450,000,000	76,627,243	23,110,622	(2,755,173)	171,143	---	547,153,835	8,470,817	555,624,652
Net profit for the period	---	---	7,317,389	---	---	---	7,317,389	668,942	7,986,331
Other comprehensive income/(loss)	---	---	---	796,890	---	---	796,890	(107,245)	689,645
Total profit and other comprehensive income	---	---	7,317,389	796,890	---	---	8,114,279	561,697	8,675,976
Balance at 31 March 2019 (Unaudited)	450,000,000	76,627,243	30,428,011	(1,958,283)	171,143	---	555,268,114	9,032,514	564,300,628


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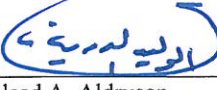
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AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	31 March 2019 SAR (Unaudited)	31 March 2018 SAR (Unaudited)
OPERATING ACTIVITIES		
Profit before zakat and income tax	8,486,331	4,746,124
Adjustments to reconcile net profit before zakat and income tax to net cash from operating activities:		
Depreciation and amortization	11,516,771	6,846,859
Deferred gain on sale of property and equipment	(200,937)	(200,937)
Loss/(gain) on sale of property and equipment	---	1,196
Provision for employees' end of service benefits	4,821,054	4,022,694
Bad debts	(102,030)	(1,316,331)
Impairment of other financial assets	2,452,030	1,200,000
	26,973,219	15,299,605
Net changes in working capital:		
Accounts receivable	8,934,047	(13,737,344)
Other current assets	(7,999,069)	25,640,276
Inventories	(1,119,979)	(2,185,452)
Unbilled revenue	6,514,892	(1,566,068)
Related parties' balances	481,898	870,092
Trade and other payables	1,474,241	(23,414,698)
Cash flows from operating activities	35,259,249	906,411
Employees' end of service benefits paid	(3,009,000)	(3,772,555)
Net cash flows from/(used in) operating activities	32,250,249	(2,866,144)
INVESTING ACTIVITIES		
Purchase of property and equipment	(9,209,816)	(8,638,657)
Additions to intangible assets	(125,000)	---
Additions to right of use assets	(2,601,782)	---
Net cash flows used in investing activities	(11,936,598)	(8,638,657)
FINANCING ACTIVITIES		
Banks overdraft	(60,709,510)	(10,161,751)
Term loans, net	33,996,446	21,407,303
Lease obligations, net	(2,665,181)	(761,317)
Foreign currency translation reserve	796,890	(304,007)
Non-controlling interest	(107,245)	(581)
Net cash flows (used in)/from financing activities	(28,688,600)	10,179,647
Net change in cash and cash equivalents	(8,374,949)	(1,325,154)
Cash and cash equivalents at the beginning of the period	38,465,027	26,307,843
Cash and cash equivalents at the end of the period	30,090,078	24,982,689


Faisal Siddique
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Abdulaziz Hammad Al-Bulaihid
Chairman

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

1. INFORMATION AND ACTIVITIES

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

The Company and its subsidiaries (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.

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

<i>Subsidiary companies</i>	<i>Country of incorporation</i>	<i>Direct / indirect ownership</i>
Fast Lane Group (Fast Lane Consultancy duty free – LTD.)	United Arab Emirates	80%
Al Khaleej Training and Information Technology Company	Egypt	57 %
Online Trading Academy Duty free – LTD.	United Arab Emirates	100%
Applied Digital Media Services Company	United Arab Emirates	90%
Franklin Covey Middle East Company and its subsidiaries	United Arab Emirates	61%
Linguaphone Limited Company	United Kingdom	100%
Jobzella	Egypt	60%

2. BASIS OF PREPARATION AND CONSOLIDATION

Basis of preparation

The interim condensed consolidated financial statements are for the Three months ended 31 March 2019 and are presented in Saudi Riyal (SAR), which is the functional currency of the Parent Company. They have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', endorsed in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all of the information required in the annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018.

This is the first set of interim condensed consolidated financial statements where IFRS 16 has been applied. The changes to significant accounting policies are described in (Note 3-1).

Basis of consolidation

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

2. BASIS OF PREPARATION AND CONSOLIDATION (Continued)

Basis of consolidation (Continued)

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

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

Use of judgments, estimates and significant accounting assumptions

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which described in (Note 3-1).

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as of 1 January 2019 shown below:

3-1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were reclassified. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-1 IFRS 16 Leases (Continued)

The effect of adoption IFRS 16 is as follows:

Impact on the interim condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	1 January 2019 (Unaudited) SAR
Non-current assets	
Right of use assets	92,198,577
Current assets	
Other current assets	(5,416,268)
Non-current liabilities	
Lease obligations (note 9)	78,399,237
Current liabilities	
Lease obligations (note 9)	14,513,111
Total lease liabilities	<u>92,912,348</u>
Total equity	<u>(6,130,039)</u>

a. Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings, learning centers, shops and offices). Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

• ***Leases previously classified as finance leases***

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

• ***Leases previously accounted for as operating leases***

The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-1 IFRS 16 Leases (Continued)

a. Nature of the effect of adoption of IFRS 16 (Continued)

• Leases previously accounted for as operating leases (Continued)

- The Group also applied the available practical expedients wherein it:
 - Used a single discount rate to a portfolio of leases with reasonably similar characteristics
 - Relied on its assessment of whether leases are onerous immediately before the date of initial application
 - Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
 - Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
 - Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	SAR
Operating lease commitments as at 31 December 2018	94,151,453
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	92,912,348
Lease liabilities as at 1 January 2019	92,912,348

b. Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

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

	Right of use	Lease liabilities
	SAR	SAR
At 1 January 2019	92,198,577	92,912,348
Amortization	(4,578,580)	---
Additions	2,601,782	2,601,782
Interest expense	---	511,842
Payments	---	(5,192,161)
At 31 March 2019 (Unaudited)	90,221,779	90,833,811

The Group recognised rent expense from short-term and low-value assets leases of SAR 159,315 for the Three months ended 31 March 2019.

c. Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-1 IFRS 16 Leases (Continued)

- c. Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application (Continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to some of its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

3-2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-3 Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

3-4 Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

3-5 Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

4. PROPERTY AND EQUIPMENT, NET

	31 March 2019 (Unaudited) SAR	31 December 2018 (Audited) SAR
Balance at 1 January	807,085,149	792,718,977
Additions during the period/year	9,209,816	36,196,148
Disposals	---	(193,674)
Depreciation during the period/year	(7,131,117)	(21,711,776)
Disposals	---	75,474
	<u>809,163,848</u>	<u>807,085,149</u>

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5. ACCOUNTS RECEIVABLE, NET

Included in receivables are amounts totaling SAR 275 million (31 December 2018: SAR 291 million) due from government and quasi-government institution in which balance of SAR 93 million due over one year as of 31 March 2019 (31 December 2018: SAR 102 million). The Group's management believes that all not impaired receivables will be collected. The Group does not obtain guarantees against these receivables.

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

	31 March 2019 (Unaudited) SAR	31 December 2018 (Audited) SAR
Balance at 1 January	20,529,207	14,762,386
Charge for the period/year	2,452,030	8,506,090
Amounts written off during the period / year	(102,030)	(2,739,269)
	<u>22,879,207</u>	<u>20,529,207</u>

6. RELATED PARTIES TRANSACTIONS

<u>Related party</u>	<u>Nature of transactions</u>	31 March 2019 (Unaudited) SAR	31 March 2018 (Unaudited) SAR
Companies owned by directors	Rent as lessee	225,000	270,000
	Rent as lessor	341,500	341,500

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

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

There are no guarantees from or to the related parties. For the period ended 31 March 2019, 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.

7. SHARE CAPITAL

The Group's capital consists of 45 Million shares as at 31 March 2019 (31 December 2018: 45 Million shares) of SAR 10 each.

8. CREDIT FACILITIES

The Group has obtained loans facilities from local banks to finance its working capital requirements. These are secured by promissory notes and personal guarantees from some major shareholders and accrue commission at commercial prevailing rates.

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9. LEASE OBLIGATIONS

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

- a) Leased computers from 3 to 4 years.
- b) Leased building through sale and lease back. As the Group has completed, on 15 September 2015, the sale of a newly constructed management building in Al-Ghadeer area in Riyadh, the cost of which is approximately SAR 58.9 million, to Manafe' Holding Company, at a selling price of SAR 75 million, in order to finance the Group's expansion in educational projects. The group then leased back the building for 20 years ending in the year 2034. Gain from the sale transaction, amounting to approximately SAR 16 million, was deferred in accordance with the requirements of the Standard of Accounting for Leases issued by the Saudi Organization for Certified Public Accountants, and will be recognized in subsequent periods in correlation with depreciation as the leaseback was classified as a finance lease. During the year 2016 the rental value of the land for the building was separated and classified as an operating lease (with present value of SAR 48.7 million). In the interim condensed consolidated statement of profit or loss the group recognized an amount of SAR 200,937 as gain from sale of the building (31 March 2018: SAR 200,937).
- c) Schools leased building in Dammam. on 25 August 2016 the Group has signed a contract with Mohammed Abdulaziz Al Rajhi and Sons Investment Group, to lease Al Ishraq Building Schools for 20 years. The building lease was classified as a finance lease (with present value SAR 17.8 million) and the rent of land was classified as right of use.
- d) Right of use assets obligations.

The details of lease obligations are as follow:

	Computers	Buildings	Right of use assets	Total
	SAR	SAR	SAR	SAR
31 March 2019 (Unaudited)				
Non-current	---	58,272,513	74,684,866	132,957,379
Current	452,190	1,190,535	16,148,945	17,791,670
Total	452,190	59,463,048	90,833,811	150,749,049
31 December 2018 (Audited)				
Non-current	452,190	57,580,003	78,399,237	136,431,430
Current	323,165	2,146,524	14,513,111	16,982,800
Total	775,355	59,726,527	92,912,348	153,414,230

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

	Buildings	Right of use assets	Total
	SAR	SAR	SAR
2020	5,590,226	20,595,780	26,186,006
2021	7,211,889	23,889,124	31,101,013
2022 and after	45,470,398	30,199,962	75,670,360
Total	58,272,513	74,684,866	132,957,379

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10. EMPLOYEES' END OF SERVICE BENEFITS

The Group manages the end of service benefits program for its employees in accordance with the requirements of the labor law in the Kingdom of Saudi Arabia. The movement in the provision for employees' end of service benefits for the period / year is based on actuarial assumptions, the most important of which is the use of a discount rate of 5.4 % and an actual salary increase rate of 2% (31 December 2018: discount rate of 2.5% and an actual salary increase rate of 1.5%):

	31 March 2019 (Unaudited) SAR	31 December 2018 (Audited) SAR
Balance at 1 January	53,965,487	47,515,089
Cost of service and interest included in profit or loss	4,821,054	14,970,833
Actuarial loss on remeasurement of end of service benefits	---	1,349,000
Paid during the period/year	(3,009,000)	(9,869,435)
	55,777,541	53,965,487

11. EARNING PER SHARE

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

	31 March 2019 (Unaudited) SAR/Halala	31 March 2018 (Unaudited) SAR/Halala
Net profit for the period	7,317,389	4,259,895
Weighted average number of ordinary shares	45,000,000	45,000,000
Earnings per share	0.16	0.09

12. SEGMENT INFORMATION

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

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

The Group is organized into following main business segments:

1- Computer

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

2- Language

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

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12. SEGMENT INFORMATION (Continued)

3- Educational projects

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

4- Financial and management training

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

5- Communication centers

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

6- Schools

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

	<i>Computer</i>	<i>Language</i>	<i>Educational</i>	<i>Financial and management</i>	<i>Communication center</i>	<i>Schools</i>	<i>Total</i>
	<i>SAR</i>	<i>SAR</i>	<i>projects</i>	<i>training</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
31 March 2019 (Unaudited)							
Revenues	31,347,515	15,589,573	25,661,912	18,761,481	92,611,504	30,178,942	214,150,927
Depreciation and amortization	2,764,722	1,488,697	30,078	823,967	2,322,088	4,087,219	11,516,771
Profit before zakat and income tax	5,012,740	(1,054,844)	1,129	1,256,381	4,887,011	(1,616,086)	8,486,331
Total assets	283,113,514	145,846,355	16,011,203	53,522,996	290,241,921	618,639,673	1,407,375,662
Total liabilities	85,294,174	43,939,423	16,010,074	35,156,715	47,819,515	614,855,133	843,075,034
Capital expenditure	3,500,696	1,884,990	390,151	106,937	4,119,387	1,934,437	11,936,598
31 March 2018 (Unaudited)							
Revenues	23,055,046	16,310,830	22,330,876	23,450,988	82,486,071	30,735,009	198,368,820
Depreciation and amortization	1,882,131	611,429	36,001	472,747	1,356,532	2,488,019	6,846,859
Profit before zakat and income tax	(5,388,183)	(1,409,509)	584,368	2,971,072	6,032,250	1,956,126	4,746,124
Total assets	232,831,628	116,665,814	15,083,227	47,273,443	241,775,748	602,886,692	1,256,516,552
Total liabilities	22,757,674	17,878,837	15,234,855	26,581,040	13,860,491	589,885,330	686,198,227
Depreciation and amortization	1,846,842	948,746	292,777	962,059	1,203,034	3,385,199	8,638,657

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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13. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>31 March 2019 (Unaudited)</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
Financial assets				
Investment in equity instruments at fair value through other comprehensive income	---	18,930,188	---	18,930,188
Cash and cash equivalent	30,090,078	---	---	30,090,078
Accounts receivable, net	323,812,538	---	---	323,812,538
Unbilled revenues	8,852,038	---	---	8,852,038
Financial liabilities				
Long-term loans	126,427,854	---	---	126,427,854
Lease obligations	132,957,379	---	---	132,957,379
Banks overdraft	29,428,844	---	---	29,428,844
Short-term loans	325,155,448	---	---	325,155,448
Current portion of long-term loans	53,416,435	---	---	53,416,435
Current portion of lease obligations	17,791,670	---	---	17,791,670
Trade payables	12,344,568	---	---	12,344,568

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13. FINANCIAL INSTRUMENTS (Continued)

31 December 2018 (Audited)

Financial assets

Investment in equity instruments at fair value through other comprehensive income	---	18,930,188	---	18,930,188
Cash and cash equivalent	38,465,027	---	---	38,465,027
Accounts receivable, net	335,096,585	---	---	335,096,585
Unbilled revenues	15,366,930	---	---	15,366,930

Financial liabilities

Long-term loans	136,827,670	---	---	136,827,670
Lease obligations	136,431,430	---	---	136,431,430
Banks overdraft	90,138,354	---	---	90,138,354
Short-term loans	289,459,002	---	---	289,459,002
Current portion of long-term loans	44,716,619	---	---	44,716,619
Current portion of lease obligations	16,982,800	---	---	16,982,800
Trade payables	11,527,814	---	---	11,527,814

14. GENERAL ASSEMBLY RESOLUTIONS

The general assembly has agreed on the following recommendations of the board of directors in its meeting held on 23 Sha'ban 1440 H (corresponding to 28 April 2019) to awarded bonus to the board members with total amount of SAR 900,000 for the year ended 31 December 2018.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified where necessary for better presentation; however, other than the impact of application IFRS 16 mentioned in note 3-1 to the interim condensed consolidated financial statements above, no significant reclassifications have been made.

16. SUBSEQUENT EVENTS

Subsequent to the date of theses interim condensed consolidated financial statements, the Group has signed a Non-binding Memorandum of Understanding (MOU) with Al Rajhi Capital Fund for sale leaseback of Three schools' properties. However, this transaction is subject for review and approval by the Capital Market Authority (CMA). Al Rajhi Capital Fund is in the process of conducting their due diligence for CMA file submission.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors have approved the interim condensed consolidated financial statements on 1 Ramadan 1440 H (corresponding to 6 May 2019 G).