Al Khaleej Training and Education Company

(A Saudi Joint Stock Company)

THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT
FOR THE THREE AND SIX MONTH PERIODS ENDED
30 JUNE 2017

Index

PKF
Audit - Consultants - Zakat & Tax
Al-Bassam & Al-Nemer
Allied Accountants
(Member firm of PKF International)

AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Shareholders
Al Khaleej Training and Education Company
A Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed consolidated interim 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 of 30 June 2017 and the related condensed consolidated interim statements of profit and loss, comprehensive income for the three-month and six month period then ended, changes in shareholders' equity and cash flows for the six month period then ended and explanatory notes.

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with (IAS 34) "Interim Financial Reporting" and (IFRS 1) "First-time Adoption of International Financial Reporting Standards " that are endorsed in the Kingdom of Saudi Arabia.

PKF Al-Bassam & Al-Nemer
Allied Accountants

Ibrahim A. Al-Bassam
License No. 337

Riyadh on: 15 Dhul-Qa'dah 1438H
Corresponding to: 7 August 2017

AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	30 June 2017	31 December 2016	1 January 2016
		SR (Unaudited)	SR (Note 14)	SR (Note 14)
ASSETS				
Non-current assets				
Property and equipment	5	**727,475,820**	681,928,835	618,980,563
Intangible assets		**39,233,364**	38,229,800	35,471,901
Available for sale investments		**18,759,045**	18,759,045	18,759,045
Advance on account of investments		**--**	-	1,126,800
		785,468,229	738,917,680	674,338,309
Current assets				
Inventories		**14,286,046**	13,972,131	11,953,744
Trade receivables, prepayments and other receivables	6	**394,207,736**	368,632,956	404,398,052
Unbilled revenues		**5,770,009**	3,943,573	10,248,454
Due from related parties	7	**1,102,233**	1,247,685	5,181,800
Cash and bank balances		**13,294,376**	23,446,823	26,397,041
		428,660,400	411,243,168	458,179,091
Total assets		**1,214,128,629**	1,150,160,848	1,132,517,400
OWNERS' EQUITY AND LIABILITIES				
Owners' equity				
Share Capital	8	**400,000,000**	400,000,000	400,000,000
Statutory reserve		**67,932,827**	67,932,827	63,577,698
Retained earnings		**53,944,148**	58,121,082	58,769,799
Foreign currency translation reserve		**(1,831,564)**	(1,113,749)	(1,210,565)
Total Shareholders' Equity		**520,045,411**	524,940,160	521,136,932
Non-controlling interest		**9,566,746**	9,571,800	11,459,263
Total Owners' Equity		**529,612,157**	534,511,960	532,596,195
Liabilities				
Non-current liabilities				
Long term loans	9	**168,728,223**	163,112,063	114,050,389
Deferred gain from sale of property and equipment – non current portion	10	**13,663,720**	14,065,594	14,869,342
Finance lease obligations	10	**61,499,207**	61,879,201	70,066,107
Employees' end of service benefits	11	**44,332,764**	43,801,134	47,423,473
		288,223,914	282,857,992	246,409,311
Current liabilities				
Banks overdraft		**83,116,227**	36,676,467	53,474,817
Short term loans	9	**229,658,878**	203,000,000	168,000,000
Current portion of long term loans	9	**48,667,549**	46,187,461	80,059,494
Deferred gain from sale of property and equipment – current portion	10	**803,748**	803,748	803,748
Current portion of finance lease obligations	10	**2,072,719**	2,624,556	3,482,993
Trade and other payables		**24,462,101**	34,859,835	39,505,576
Due to related parties	7	**5,629,027**	4,874,643	4,799,153
Zakat and income tax payable		**1,882,309**	3,764,186	3,386,113
		396,292,558	332,790,896	353,511,894
Total liabilities		**684,516,472**	615,648,888	599,921,205
Total owners' equity and liabilities		**1,214,128,629**	1,150,160,848	1,132,517,400

Abdulaziz Hammad Al-Bulaihid
Chairman

Alwaleed A. Aldryaan
Chief Executive Officer

Mostafa Abdul Hameed
Chief Financial Officer

The attached notes from 1 to 16 form part of these condensed consolidated interim financial statements.

AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS
For the Three and Six month periods ended 30 June 2017

		For the Three month periods ended		For the Six month periods ended	
	Note	**30 June 2017**	30 June 2016	**30 June 2017**	30 June 2016
		SR	SR	**SR**	SR
		(Unaudited)	(Note 14)	**(Unaudited)**	(Note 14)
Revenue		**171,729,791**	145,219,692	**339,296,588**	311,387,939
Cost of revenues		**(136,431,371)**	(123,802,362)	**(273,591,594)**	(254,681,109)
GROSS PROFIT		**35,298,420**	21,417,330	**65,704,994**	56,706,830
Selling and marketing		**(8,092,498)**	(10,545,821)	**(16,407,407)**	(20,639,417)
General and administration		**(13,593,393)**	(10,414,122)	**(25,933,310)**	(24,434,500)
INCOME FROM MAIN OPERATIONS		**13,612,529**	457,387	**23,364,277**	11,632,913
Financial charges		**(3,531,685)**	(4,346,269)	**(7,828,616)**	(7,919,786)
Other income, net		**863,094**	648,999	**1,924,528**	1,498,934
INCOME BEFORE ZAKAT AND INCOME TAX		**10,943,938**	(3,239,883)	**17,460,189**	5,212,061
Zakat and income tax		**(250,000)**	(100,921)	**(500,000)**	(600,921)
NET INCOME / (LOSS) FOR THE PERIOD		**10,693,938**	(3,340,804)	**16,960,189**	4,611,140
Attributable to					
Shareholders of the company		**10,345,734**	(3,373,646)	**16,723,066**	4,583,921
Non-controlling interest		**348,204**	32,842	**237,123**	27,219
		10,693,938	(3,340,804)	**16,960,189**	4,611,140
Basic and diluted earnings / (loss) per share of net income / (loss) for the period	12	**0.27**	(0.08)	**0.42**	0.11

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Chief Financial Officer

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AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHINSIVE INCOME
For the Three and Six month periods ended 30 June 2017

	For the Three month periods ended		For the Six month periods ended	
	30 June 2017	30 June 2017	**30 June 2017**	30 June 2017
	SR (Unaudited)	SR (Note 14)	**SR (Unaudited)**	SR (Note 14)
Income / (loss) for the period	**10,693,938**	(3,340,804)	**16,960,189**	4,611,140
Items that are or may be reclassified to profit and loss:				
Foreign currency translation reserve	**279,811**	1,264,218	**480,692**	848,491
TOTAL INCOME AND OTHER COMPREHENSIVE INCOME	**10,973,749**	(2,076,586)	**17,440,881**	5,459,631
Total comprehensive income / (loss) for the period attributable to:				
Shareholders of the company	**9,837,707**	(2,109,426)	**16,005,251**	5,588,267
Non-controlling interest	**1,136,042**	32,840	**1,435,630**	(128,636)
	10,973,749	(2,076,586)	**17,440,881**	5,459,631

Abdulaziz Hammad Al-Bulahid
Chairman

Alwaleed A. Aldryaan
Chief Executive Officer

Mostafa Abdul Hameed
Chief Financial Officer

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AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Six month periods ended 30 June 2017

	Shareholders' equity						
	Share Capital SR	Statutory reserve SR	Retained earnings SR	Foreign currency translation reserve SR	Total Shareholders' equity	Non-controlling interest SR	Total owners' equity SR
Balance at 1 January 2016 (Note 14)	400,000,000	63,577,698	58,769,799	(1,210,565)	**521,136,932**	11,459,263	**532,596,195**
Net income for the period	--	--	4,583,921	--	**4,583,921**	27,219	**4,611,140**
Other comprehensive income / (loss) for the period	--	--	--	1,004,346	**1,004,346**	(155,855)	**848,491**
Dividends	--	--	(40,000,000)	--	**(40,000,000)**	--	**(40,000,000)**
Board Compensation	--	--	(900,000)	--	**(900,000)**	--	**(900,000)**
Dividends to non-controlling interest	--	--	--	--	--	(520,542)	**(520,542)**
Balance at 30 June 2016 (Unaudited)	**400,000,000**	**63,577,698**	**22,453,720**	**(206,219)**	**485,825,199**	**10,810,085**	**496,635,284**
Balance at 1 January 2017 (Note 14)	400,000,000	67,932,827	58,121,082	(1,113,749)	**524,940,160**	9,571,800	**534,511,960**
Net income for the period	--	--	16,723,066	--	**16,723,066**	237,123	**16,960,189**
Other comprehensive income / (loss) for the period	--	--	--	(717,815)	**(717,815)**	1,198,507	**480,692**
Dividends	--	--	(20,000,000)	--	**(20,000,000)**	--	**(20,000,000)**
Board Compensation	--	--	(900,000)	--	**(900,000)**	--	**(900,000)**
Dividends to non-controlling interest	--	--	--	--	--	(1,440,684)	**(1,440,684)**
Balance at 30 June 2017 (Unaudited)	**400,000,000**	**67,932,827**	**53,944,148**	**(1,831,564)**	**520,045,411**	**9,566,746**	**529,612,157**

Abdulaziz Hammad Al-Bulaihid
Chairman

Alwaleed A. Aldryaan
Chief Executive Officer

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Chief Financial Officer

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AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the Six month periods ended 30 June 2017

	30 June 2017 SR (Unaudited)	30 June 2016 SR (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before zakat and income tax	**17,460,189**	5,212,061
Adjustments for non-cash items:		
Depreciation and amortization	**9,837,712**	13,195,733
Gain on sale of property and equipment	**(401,874)**	(401,874)
Provision for Employees' end of service benefits	**6,322,322**	7,065,845
Bad debts	**-**	1,250,000
Provision for doubtful debts	**1,807,094**	2,350,000
	35,025,443	28,671,765
Changes in :		
Trade receivables, prepayments and other receivables	**(27,381,874)**	28,368,813
Unbilled revenue	**(1,826,436)**	(210,180)
Inventories	**(313,915)**	(3,131,169)
Trade and other payables	**(10,397,734)**	(23,415,787)
	(4,894,516)	30,283,442
Employees' end of service benefits paid	**(5,790,692)**	(7,729,689)
Zakat and income tax paid	**(2,381,877)**	(1,622,849)
Net cash (used in) / generated from operating activities	**(13,067,085)**	20,930,904
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	**(55,338,278)**	(27,386,956)
Additions to intangible assets	**(1,049,983)**	(10,273)
Advance on account of purchase investments	**-**	(421,875)
Net cash used in investing activities	**(56,388,261)**	(27,819,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Banks overdraft	**46,439,760**	(714,577)
Term loans proceeds, net	**34,755,126**	36,699,847
Related parties	**899,836**	(25,190)
Finance lease, net	**(931,831)**	(1,896,856)
Board Compensations	**(900,000)**	(900,000)
Dividends paid	**(20,000,000)**	(40,000,000)
Foreign currency translation reserve	**(717,815)**	1,004,346
Non-controlling interest	**(242,177)**	(676,397)
Net cash generated from / (used in) financing activities	**59,302,899**	(6,508,827)
Net decrease in cash and cash equivalent	**(10,152,447)**	(13,397,027)
Cash and cash equivalent at the beginning of the period	**23,446,823**	26,397,041
Cash and cash equivalent at the end of the period	**13,294,376**	13,000,014

Abdulaziz Hammad Al-Bulaihid
Chairman

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Chief Executive Officer

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Chief Financial Officer

The attached notes from 1 to 16 form part of these condensed consolidated interim financial statements

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 Al Awal 1413H (corresponding to 24 November 1992). The head office located at Olaya area, Riyadh.

The Company 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 softwares, installation of networks, infrastructures, communication systems, call centers and technical supports. The Extraordinary General Assembly held on 19 Rajb 1438H corresponding to 16 April 2017, agreed the amendment of the company's By-Law to be in accordance with the new Regulations for Companies.

The following is the list of subsidiaries included in these consolidated financial statements which provide training services. The ownership percentages below as of 30 June 2017, 31 December 2016 and 1 January 2016:

Subsidiary companies	*Country of incorporation*	*Direct / indirect ownership*
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%
E-Arts Consulting *	United Arab Emirates	60%
Applied Digital Media Services Company	United Arab Emirates	90%
Franklin Covey Middle East Company and its subsidiaries	United Arab Emirates	51%
Linguaphone Limited Company	United Kingdom	100%
Jobzella	Egypt	60%

* 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.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2-1 Applied accounting standards

The condensed consolidated interim financial statements for the Six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.

For all periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. These condensed consolidated interim financial statements for the Six months ended 30 June 2017 are the Second the Group has prepared for a part of the period covered by the annual financial statements which will be prepared in accordance with International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA). Accordingly, IFRS 1 "First Time Adoption" has been applied. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. Accounting policies applied in the preparation of these financial statements are the same policies applied in the preparation of condensed consolidated interim financial statements as at and for 31 March 2017. The Company has applied the same accounting policies consistently to all periods presented, if these policies are valid.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2-2 Base of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for available of sale investment that have been measured at fair value.

2-3 Presentation and functional currency

The condensed consolidated interim financial statements are presented in Saudi Riyals which is the functional currency of the Company.

2-4 Basis of consolidation

The condensed consolidated interim financial statements comprise of the condensed consolidated interim statements of financial position, condensed consolidated interim statements of profit and loss, condensed consolidated interim statements of changes in shareholders' equity and condensed consolidated interim 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. 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.

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 condensed consolidated interim statement of Financial Position. NCI are measured at their proportionate share of the acquiree'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 condensed consolidated interim statement of profit or loss and within equity in the condensed consolidated interim statement of financial position.

Intra-group balances and transactions, and any unrealised 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 periods

3 SIGNIFICANT ACCOUNTING POLICIES

Use of judgments, estimates and significant accounting assumptions

The preparation of the condensed consolidated interim financial statements ("financial statements") according to IFRS as endorsed in Kingdom of Saudi Arabia, require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, contingent assets and liabilities, income and expenses at the date of condensed consolidated interim financial statements during the report period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

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 (CONTINUED)

Use of judgments, estimates and significant accounting assumptions - continued

a) Provision for employees end of services benefits

The present value of the obligation depends upon a number of factors that are determined on actuarial basis using a number of assumptions. Further, obligation determined requires assumptions to be made for future outcome which mainly includes increase in salaries and benefits, discount rate used to convert future cash flows to present values. Any changes in these assumptions will impact the carrying amount of the obligation. Underlying assumptions are disclosed in note 11.

b) Provisions

Provisions are recognised 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) Estimate of useful life, rate of depreciation, depreciation method and residual values of property and equipment

Management reviews its estimate of the useful lives of depreciable assets, rate of depreciation, depreciation method, and residual value used in the calculation of depreciation at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relates to technological obsolescence that may change utility of assets. The Group did not include any residual value of the assets on the transition as insignificant, and in line with the opinion of the Saudi Accounting Standards Committee of Saudi Organization for Certified Public Accountants that the companies on the transition date to IFRS should not adjust the carrying amount of assets that were depreciated in accordance with the Saudi Standards even if that amount reaches zero, unless there is a clear error in estimating the useful life of those 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) Net realizable value of inventories

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.

f) Fair value measurement

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.

g) 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 Company 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Property and equipment

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.

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 Company's management. These assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses if any.

Where major components of an item of property and equipment have different useful lives, they are accounted for as separate items in property and equipment.
Subsequent expenditure is capitalized only when it increases the future economic benefits of the Group that can be measured reliably. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.
Depreciation is charged to the profit and loss condensed consolidated interim statement on a straight-line basis over the estimated useful lives of individual item of property and equipment. The estimated useful lives of assets will be depreciated as follow:

Description	Years
Buildings,	15-50
Furniture, office equipment and tools	4-9
Leasehold improvement	15 or less of the lease term
Vehicles	7
Assets acquired under financing leases	20

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Capital work in progress at the end of the period includes certain assets acquired but not ready for the intended use. These assets are transferred to related asset classes and depreciated when they are ready for use. Depreciation method, residual value estimates and estimates of useful life are reviewed annually.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development cost, are not capitalised 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, 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 recognised in the condensed consolidated interim statement of profit and loss when the asset is derecognised.

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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the condensed consolidated interim statement of profit and loss in the expense category consistent with the function of the intangible asset.

Inventories

Inventories comprise mainly books and educational curriculums distributed during courses. Inventories are valued at the lower of cost or market. Cost is determined on a weighted average basis. The Group reviews the carrying amount of inventories on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and/ or physical form of related inventory.

Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or financial assets available-for-sale, or derivatives as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction cost except, in the case of financial assets recorded at fair value through profit or loss.

The Group's financial assets include cash and bank balances, accounts receivable, quoted and unquoted financial assets available-for-sale, amounts due from related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets available-for-sale

Financial assets available-for-sale are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through the statement of profit or loss, financial assets held-to-maturity or loans and receivables.

After initial measurement, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses being recognised as other comprehensive income in the cumulative changes in fair value reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in the condensed consolidated interim statement of profit and loss. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Accounts receivable

Accounts receivables are shown at the balance due, net of any related deferred income and net of provisions for amounts estimated to be uncollectible. Accounts receivable falling due within the twelve month period following the reporting date are included in "Accounts receivable" A provision for impairment is made when there is an objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice (such as the probability of insolvency or significant financial difficulties of the debtor). The carrying amounts of the receivable are reduced through use of an allowance account. Impaired receivables are derecognised when they are assessed as uncollectible.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through the statement of profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and accounts payable, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals, amounts due to related parties, due to banks and term loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through the statement of profit or loss

Financial liabilities at fair value through the statement of profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the statement of profit or loss. The Group did not specify any liabilities of this classification.

Loans

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the condensed consolidated interim statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the condensed consolidated interim statement of profit and loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments - continued

Difference in the respective carrying amounts is recognised in the condensed consolidated interim statement of profit and loss.

c) Offsetting of financial instruments

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

Employees' end of service benefits

Employee benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in condensed consolidated interim statement of comprehensive income. The Group determines net interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in condensed consolidated interim statement of profit or loss.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the company must set aside 10% of its net income for the year till it has built up a reserve equal to 30% of the capital. The reserve is not available for distributions.

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 condensed consolidated interim statement of profit and 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 condensed consolidated interim statement of profit and loss.

Revenue recognition

Revenue represents the value of services rendered by the Group during the year, net of discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Other revenues are recognised when the related services are rendered, and classified as other income in the condensed consolidated interim statement of profit and loss.

Revenue and expense are presented in net only when permitted under IFRS, or the profit and loss arising from a combination of similar transactions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases
Finance 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 finance 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 condensed consolidated interim statement of profit and loss.
Capitalised leased assets are depreciated over the lower of lease term or assets estimated useful life.
Operating lease receipts and payments are recognised as an income and expense in the condensed consolidated interim statement of profit and loss, 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 condensed consolidated interim statement of profit and loss.

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 year 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.

Cash dividends and non-cash dividends to shareholders of the parent company
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 condensed consolidated interim statement of profit and loss.

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 NEW STANDARDS, AMENDMENTS AND STANDARDS ISSUED AND NOT YET EFFECTIVE

New standards, amendment to standards and interpretations
The Group has adopted, as appropriate, the following new and amended international standards, effective 1 January 2017:

1) **Disclosure initiative (Amendments to IAS 7)**
The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
Group's financing activities, as disclosed in condensed consolidated interim statement of cash flows, represents only cash flow changes, except for finance cost paid for which non cash change is reflected in cash flow from operating activities.

4 New Standards, Amendments And Standards Issued And Not Yet Effective (Continued)

2) Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)
The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The Group does not hold any debt instruments measured at fair value; therefore, there is no impact of this amendment on CONDENSED CONSOLIDATED INTERIM financial statements.

3) Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)
The amendments clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. There is no impact of this amendment on CONDENSED CONSOLIDATED INTERIM financial statements.

Standards issued but not yet effective
Following are the new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these CONDENSED CONSOLIDATED INTERIM financial statements:

1) IFRS 15 Revenue from contracts with customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

2) IFRS 9 Financial instruments
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Classification – Financial assets
IFRS 9 contains three principal classification categories and new measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The principal classification categories for financial assets are: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial assets and contract assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs are those that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

4 New standards, amendments and standards issued and not yet effective (continued)

2) IFRS 9 Financial instruments (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Classification – Financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:
- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI.
- the remaining amount of change in the fair value is presented in profit or loss.

Hedge accounting
When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognized.

Disclosures
IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

3) IFRS 16 Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

4 New standards, amendments and standards issued and not yet effective (continued)

3) IFRS 16 Leases

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

4) Annual improvements to IFRSs (2014–2016 cycle)

- IFRS 1 First-time adoption of IFRS - Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 1 January 2018.
- IAS 28 Investments in Associates and Joint Ventures - A venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

5) Other Amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Group's CONDENSED CONSOLIDATED INTERIM financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) Amendments respond to industry concerns about the impact of differing effective dates.
- Transfers of Investment Property (Amendments to IAS 40) A property asset is transferred when, and only when, there is evidence of an actual change in its use.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the transaction date used to determine the exchange rate.

5 PROPERTY AND EQUIPMENT

	For the six months ended 30 June 2017 SR	For the year ended 31 December 2016 SR
Balance at 1 January	**681,928,835**	618,980,563
Additions during the period/year	**55,338,278**	123,132,315
Depreciation during the period/year	**(9,791,293)**	(23,661,208)
Net book value of disposed property and equipment	**-**	(36,522,835)
	727,475,820	681,928,835

6 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in trade accounts receivable are amounts totaling SR 265 million (31 December 2016: SR 233 million. 1 January 2016: SR 225 millions) due from government and quasi-government institution in which balance of SR 90 million due over one year as of 30 June 2017 (31 December 2016: SR 80 millions.1 January 2016: SR 42 millions). The 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 against these receivables.

Movements in the Provision for doubtful debts were as follows:

	For the Six months ended 30 June 2017 SR	For the year ended 31 December 2016 SR
Balance at 1 January	**10,313,354**	10,119,000
Charge for the period/year	**1,807,094**	7,640,669
Amounts written off during the period/year	**(3,889,315)**	(7,446,315)
	8,231,133	10,313,354

7 RELATED PARTIES TRANSACTIONS

Related party	*Nature of transactions*	For the Six months ended 30 June 2017 SR	For the Six months ended 31 June 2016 SR
Companies owned by directors	Rent as lessee	**590,000**	590,000
	Rent as Lessor	**683,000**	683,000

Amounts due from / to related parties are shown in the assets and liabilities in the consolidated balance sheet respectively.

Transactions with related parties are made on terms similar to those prevailing in normal transactions. Balances due at the end of each year are unsecured and do not bear commissions and are settled in cash. There are no guarantees from or to the related parties. For the period ended 30 June 2017, the Group has not recorded any impairment loss on amounts due from related parties (31 December 2016: nil). Valuation of impairment is performed every financial year by examining the financial position of the related entity and the market in which the entity is involved.

8 SHARE CAPITAL

The company's capital consists of 40 Million shares as at 30 June 2017 (31 December 2016: 40 Million shares) of SR 10 each.

9 CREDIT FACILITIES

The Company 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.

10 FINANCE LEASE OBLIGATIONS

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

a) Lased computers from 3 to 4 years.

b) Leased building through sale and lease back. As 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. And leased back the building for 20 years ending in the year 2034. 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 finance lease. During the year 2016 the rental value of the land for the building was separated where the building was classified as finance lease (with present value of SR 48.7 million) and the rent land was classified as operating lease. It has been recognized an amount of SR 200,937 as gains from the sale of the building in the condensed consolidated interim statement of profit and loss during the period (2016: SR 200,937).

c) Schools leased building in Dammam. on 25 August 2016 the Company has signed a contract with Mohammed Abdulaziz Al Rajhi & Sons Investment Group, to lease Al Ishraq Building Schools for 20 years. The building lease was classified as a finance lease (with present value SR 17.8 million) and the rent land was classified as operating lease.

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

	Computers SR	Building SR	**Total SR**
2017	539,154	2,665,220	**3,204,374**
2018	714,388	5,330,440	**6,044,828**
2019	212,220	5,330,440	**5,542,660**
2020-2036	--	94,956,755	**94,956,755**
	1,465,762	108,282,855	**109,748,617**

11 Employees' end of service benefits

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

	For the Six months ended 30 June 2017 SR	For the year ended 31 December 2016 SR	For the Six months ended 30 June 2016 SR
Balance at 1 January	**43,801,134**	47,423,473	47,423,473
Cost of service and interest included in profit or loss	**6,322,322**	13,788,877	3,610,284
The actuarial profit included in comprehensive income	**-**	(2,610,943)	-
Paid during the period/year	**(5,790,692)**	(14,800,273)	(2,430,055)
	44,332,764	43,801,134	48,603,702

12 EARNING PER SHARE

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

	For the Three month periods ended		For the Six month periods ended	
	30 June 2017 SR	30 June 2016 SR	30 June 2017 SR	30 June 2016 SR
Income for the period	**10,693,938**	(3,340,804)	16,960,189	4,611,140
Weighted average number of ordinary shares	**400,000,000**	400,000,000	400,000,000	400,000,000
Earnings per share	**0.27**	(0.08)	0.42	0.11

13 SEGMENT INFORMATION

The segmental information are attributable to the Company'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 organised into following main business segments:

1- **Computer**

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.

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.

13 SEGMENT INFORMATION - continued

	Computer SR	*Language SR*	*Educational projects SR*	*Financial and management training SR*	*Communicati on center SR*	*Schools SR*	*Total SR*
30 June 2017							
Revenues	41,416,991	36,550,471	35,817,076	28,011,106	151,994,138	45,506,806	339,296,588
Depreciation and amortization	1,705,947	1,075,998	1,356,414	947,973	1,488,752	3,262,628	9,837,712
Income before zakat and income tax	(1,670,418)	1,861,434	1,051,192	1,716,634	13,175,308	1,088,916	17,223,066
Total assets	234,668,703	117,334,352	15,644,580	23,466,870	261,665,952	561,348,172	1,214,128,629
Total liabilities	48,188,473	21,094,236	3,212,565	4,818,847	52,398,197	551,804,153	684,516,471
Other							
Capital expenditure	3,979,254	1,989,627	265,284	397,925	3,452,265	45,253,923	55,338,278
30 June 2016							
Revenues	55,093,690	26,215,423	53,380,593	26,744,222	121,085,790	28,868,221	311,387,939
Depreciation and amortization	2,879,243	1,359,778	2,768,818	1,387,206	1,195,101	3,605,587	13,195,733
Income before zakat and income tax	(3,664,090)	(3,597,081)	(1,134,411)	2,563,335	9,644,344	1,041,824	4,853,921
Total assets	290,976,659	144,649,077	19,286,344	28,929,815	201,190,924	423,846,461	1,108,879,480
Total liabilities	97,752,618	48,876,309	11,669,066	9,775,262	25,645,480	418,525,461	612,244,196
Other							
Capital expenditure	4,498,507	2,249,253	299,900	449,851	944,434	18,945,011	27,386,956

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.

14 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in note 2-1, the CONDENSED CONSOLIDATED INTERIM financial statements for the Three months ended 30 June 2017 are the first the Group has prepared for a part of the period covered by the annual financial statements which will be prepared in accordance with International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Accordingly, the Group has prepared the condensed consolidated interim financial statements that comply with IFRS endorsed in the Kingdom of Saudi Arabia as at 30 June 2017, together with the comparative condensed consolidated interim financial statements for the period ended 30 June 2016, the Group's opening statement of financial position was prepared as at 1 January 2016, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its consolidated financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia, including the statement of financial position as at 1 January 2016 and the condensed consolidated interim financial statements for the period ended 30 June 2016.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

14 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The Group has applied the following exemptions:

1) IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the carrying amounts of assets and liabilities in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.
IFRS 1 also requires that the carrying amount of goodwill in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2016.

2) The Group has applied the transitional provision in IFRIC 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

3) The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under accounting standards generally accepted in the Kingdom of Saudi Arabia on qualifying assets prior to the date of transition to IFRS.

4) Estimates

Except for the described below, the estimates at 1 January 2016 and at 31 December, 2016 are consistent with those made for the same dates in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

14 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Group reconciliation of equity as at 1 January 2016 (date of transition to IFRS)

	Notes	SOCPA	Remeasurements	IFRS 1 January 2016
		SR	SR	SR
ASSETS				
Current assets				
Cash and bank balances		26,397,041	--	26,397,041
Trade receivables , prepayment and other receivables		404,398,052	--	404,398,052
Unbilled revenues		10,248,454	--	10,248,454
Inventories		11,953,744	--	11,953,744
Due from related parties		5,181,800	--	5,181,800
		458,179,091	--	458,179,091
Non-current assets				
Available for sale investments		18,759,045	--	18,759,045
Advance on account of investments		1,126,800	--	1,126,800
Property and equipment	A	617,280,491	1,700,072	618,980,563
Intangible assets		35,471,901	--	35,471,901
		672,638,237	1,700,072	674,338,309
Total assets		1,130,817,328	1,700,072	1,132,517,400
OWNERS' EQUITY AND LIABILITIES				
Owners' equity				
Share Capital		400,000,000	--	400,000,000
Statutory reserve		63,577,698	--	63,577,698
Retained earnings	A & B	62,562,539	(3,792,740)	58,769,799
Foreign currency translation reserve		(1,210,565)	--	(1,210,565)
Total Shareholders' Equity		524,929,672	(3,792,740)	521,136,932
Non-controlling interest		11,459,263		11,459,263
Total Owners' Equity		536,388,935	(3,792,740)	532,596,195
Liabilities				
Current liabilities				
Banks overdraft		53,474,817	--	53,474,817
Short term loans		168,000,000	--	168,000,000
Current portion of long term loans		80,059,494	--	80,059,494
Deferred gain from sale of property and equipment – current portion		803,748	--	803,748
Current portion of finance lease obligations		3,482,993	--	3,482,993
Trade and other payables		39,505,576	--	39,505,576
Due to related parties		4,799,153	--	4,799,153
Zakat and income tax payable		3,386,113	--	3,386,113
		353,511,894	--	353,511,894
Non-current liabilities				
Long term loans		114,050,389	--	114,050,389
Deferred gain from sale of property and equipment – non-current portion		14,869,342	--	14,869,342
Finance lease obligations		70,066,107	--	70,066,107
Employees' end of service benefits	B	41,930,661	5,492,812	47,423,473
		240,916,499	5,492,812	246,409,311
Total liabilities		594,428,393	5,492,812	599,921,205
Total owners' equity and liabilities		1,130,817,328	1,700,072	1,132,517,400

14 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Group reconciliation of equity as at 31 December 2016

	Notes	SOCPA	Remeasurements	IFRS 31 December 2016
		SR	SR	SR
ASSETS				
Current assets				
Cash and bank balances		23,446,823	--	23,446,823
Trade receivables, prepayments and other receivables		368,632,956	--	368,632,956
Unbilled revenues		3,943,573	--	3,943,573
Inventories		13,972,131	--	13,972,131
Due from related parties		1,247,685	--	1,247,685
		411,243,168	--	411,243,168
Non-current assets				
Available for sale investments		18,759,045	--	18,759,045
Property and equipment	A	680,271,899	1,656,936	681,928,835
Intangible assets		38,229,800	--	38,229,800
		737,260,744	1,656,936	738,917,680
Total assets		1,148,503,912	1,656,936	1,150,160,848
OWNERS' EQUITY AND LIABILITIES				
Owners' equity				
Share Capital		400,000,000	--	400,000,000
Statutory reserve		67,932,827	--	67,932,827
Retained earnings	A & B	60,858,695	(2,737,613)	58,121,082
Foreign currency translation reserve		(1,113,749)	--	(1,113,749)
Total Shareholders' Equity		527,677,773	(2,737,613)	524,940,160
Non-controlling interest		9,571,800	--	9,571,800
Total Owners' Equity		537,249,573	(2,737,613)	534,511,960
Liabilities				
Current liabilities				
Banks overdraft		36,676,467	--	36,676,467
Short term loans		203,000,000	--	203,000,000
Current portion of long term loans		46,187,461	--	46,187,461
Deferred gain from sale of property and equipment – current portion		803,748	--	803,748
Current portion of finance lease obligations		2,624,556	--	2,624,556
Trade and other payables		34,859,835	--	34,859,835
Due to related parties		4,874,643	--	4,874,643
Zakat and income tax payable		3,764,186	--	3,764,186
		332,790,896	--	332,790,896
Non-current liabilities				
Long term loans		163,112,063	--	163,112,063
Deferred gain from sale of property and equipment – non current portion		14,065,594	--	14,065,594
Finance lease obligations		61,879,201	--	61,879,201
Employees' end of service benefits	B	39,406,585	4,394,549	43,801,134
		278,463,443	4,394,549	282,857,992
Total liabilities		611,254,339	4,394,549	615,648,888
Total owners' equity and liabilities		1,148,503,912	1,656,936	1,150,160,848

14 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Group reconciliation of total comprehensive income for the Six months ended 30 June 2016

	Notes	SOCPA SR	Remeasurements SR	IFRS for the Six month periods ended 30 June 2017 SR
Revenues		311,387,939	--	**311,387,939**
Cost of revenues	B	(254,997,855)	316,746	**(254,681,109)**
GROSS PROFIT		56,390,084	316,746	**56,706,830**
Selling and marketing		(20,639,417)	--	**(20,639,417)**
General and administration	A & B	(24,436,773)	2,273	**(24,434,500)**
TOTAL EXPENSES		(45,076,190)	2,273	**(45,073,917)**
INCOME FROM MAIN OPERATIONS		11,313,894	319,019	**11,632,913**
Other income, net		1,498,934	–	**1,498,934**
Financial charges		(7,919,786)	–	**(7,919,786)**
INCOME BEFORE NON CONTROLLING INTRESTS ZAKAT AND INCOME TAX		4,893,042	319,019	**5,212,061**
Non-controlling interest		(27,219)		**(27,219)**
INCOME BEFORE ZAKAT AND INCOME TAX		4,865,823	319,019	**5,184,842**
Zakat and income tax		(600,921)	–	**(600,921)**
NET INCOME FOR THE PERIOD		4,264,902	319,019	**4,583,921**
OTHER COMPREHINSIVE INCOME				
Foreign currency translation reserve	C	–	1,004,346	**1,004,346**
TOTAL INCOME AND OTHER COMPREHINSIVE INCOME		4,264,902	1,323,365	**5,588,267**

A) Property and equipment

IAS 16 requires that significant portions of property and equipment be depreciated separately. As at the date of transition to IFRS, buildings have been separated into the building structure, elevators, major air conditioners and other. The depreciation of each item separately resulted in a decrease in accumulated depreciation for the periods up to 1 January 2016 amounting to SR 1,700,072 (with a corresponding increase in retained earnings as at 1 January 2016) and an increase in depreciation for the year ended 31 December 2016 amounting to SR 43,136, distributed evenly between quarters by SR 21,568 for the three months ended 30 June 2016.

B) Employees' end of service benefits

IAS 19 "Employee Benefits" has been applied by calculating employees' end of service benefits based on the actuarial calculation. The calculation resulted in an increase in the provision balance as at 1 January 2016 amounting to SR 5,492,812 (decrease in retained earnings at that date with the same amount). The study also resulted in an increase in cost of service and interest cost for the year ended 31 December 2016 amounting to SR 1,512,680 and actuarial profits amounting to SR 2,610,943. Where the actuarial assumptions for the three months ended 30 June 2016 have not changed from those used on 1 January 2016, no actuarial gains have been recognized for the three month period, but an increase in the cost of service and interest cost of SR 550,000 for the three month period has been recorded, of which 340,587 SR for direct costs and SAR 23,841 for general and administrative expenses.

14 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

C) Foreign currency translation

Foreign exchange differences are included in other comprehensive income in the statement of comprehensive income, rather than included in the statement of changes in equity as used in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

15 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial liabilities of the Group consist of trade payable, other payables, loans, finance lease obligations and due to related parties. Financial assets of the Group consist of bank balances, Trade receivables, prepayments and other receivables, due from related parties and investments available for sale. 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 is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company 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 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 finance 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.

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 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 and Arab Emirate Dirham. Other transactions in foreign currencies are not material. Currency risk is managed on regular basis.

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

16 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Board of Directors has approved the condensed consolidated interim financial statements on 15 Dhul-Qa'dah 1438H (corresponding to 7 August 2017).