

AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT

Al Khaleej Training and Education Company
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Financial Statements
For the Three-month and Six-month periods ended 30 June 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT
ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

INTRODUCTION

We have reviewed the accompanying interim consolidated statement of financial position of Al Khaleej Training and Education Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2022, the related interim consolidated statements of profit or loss and comprehensive income for the three and six-month periods then ended, and the interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (٣٤) "Interim Financial Reporting" ("IAS 34") 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 Engagement 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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

For Al-Bassam & Co.

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

Riyadh: 2 Safar 1444H

Corresponding to: 29 August 2022



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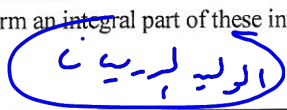
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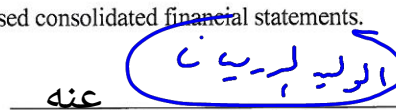
Al Khaleej Training and Education Company
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Financial Position
As At 30 June 2022
(All amounts are in Saudi Riyal unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Intangible assets	4	38,816,462	31,867,528
Right of use of assets	5	421,885,911	434,631,475
Property and equipment		529,288,229	475,915,945
Financial derivative instrument carried at FVTPL		2,431,103	3,112,228
Investments in equity instruments at fair value through OCI		257,832,484	305,360,573
Total non-current assets		1,250,254,189	1,250,887,749
Current assets			
Trade receivables	6	390,257,186	362,374,613
Prepayments and other receivables		77,770,981	112,720,649
Unbilled revenues		28,292,292	43,853,242
Inventories		9,163,587	9,640,686
Due from related parties	7-1	1,138,802	1,477,846
Cash and cash equivalent		98,996,043	126,105,863
Total current assets		605,618,891	656,172,899
TOTAL ASSETS		1,855,873,080	1,907,060,648
EQUITY AND LIABILITIES			
Equity			
Share capital	8	650,000,000	650,000,000
Statutory reserve		85,365,123	85,365,123
Actuarial reserve		(30,057,880)	(30,057,880)
Retained earnings		59,662,504	58,642,049
Foreign currency translation reserve		(1,123,141)	(2,728,550)
Fair value reserve		6,713,892	54,241,981
Total equity attributable to the Shareholders		770,560,498	815,462,723
Non-controlling interest		17,594,319	3,517,416
Total equity		788,154,817	818,980,139
LIABILITIES			
Non-current liabilities			
Long term borrowings	9	211,722,032	141,441,807
Deferred gain from sale of property and equipment	10	9,644,980	10,046,854
Lease obligations	10	449,797,672	472,230,091
Employees' post-employment benefits	11	67,190,158	69,552,565
Total non-current liabilities		738,354,842	693,271,317
Current liabilities			
Banks overdraft		3,395,677	4,002,477
Short-term borrowings	9	168,498,125	204,251,325
Current portion of long-term borrowings	9	45,700,334	35,360,452
Current portion of deferred gain from sale of property and equipment	10	803,748	803,748
Current portion of lease obligations	10	27,339,637	24,854,215
Trade and other payables		80,043,359	114,787,407
Zakat and income tax payable	13-2	3,582,541	10,749,568
Total current liabilities		329,363,421	394,809,192
Total liabilities		1,067,718,263	1,088,080,509
TOTAL EQUITY AND LIABILITIES		1,855,873,080	1,907,060,648
Contingent liabilities and capital commitments	14		

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.


Sherif Esmat
Chief Financial Officer

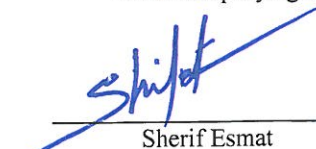

Alwaleed A. Aldryaan
Chief Executive Officer

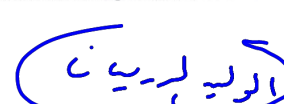

Abdulaziz Alrashid
Chairman

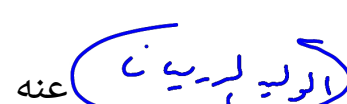
Al Khaleej Training and Education Company
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Profit or Loss
For the Three-month and Six-month periods ended 30 June 2022
(All amounts are in Saudi Riyal unless otherwise stated)

		For the Three-month-period ended 30 June		For the Six-month-period ended 30 June	
	Note	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenues		209,913,559	193,397,273	441,151,565	399,269,216
Cost of revenues		(185,309,833)	(163,989,852)	(394,205,827)	(352,933,724)
GROSS PROFIT		24,603,726	29,407,421	46,945,738	46,335,492
Selling and marketing expenses		(5,020,458)	(4,757,037)	(10,675,556)	(7,820,891)
General and administrative expenses		(9,855,629)	(16,942,089)	(25,670,146)	(27,111,100)
Reversal of provision for expected credit loss	6	3,694,660	2,820,000	5,628,663	-
PROFIT FROM OPERATIONS		13,422,299	10,528,295	16,228,699	11,403,501
Other income		10,194,782	7,159,548	19,534,017	14,299,855
Financial charges	12	(14,535,726)	(16,060,788)	(29,497,436)	(31,122,201)
Unrealized loss on financial derivative instruments		(681,125)	-	(681,125)	-
PROFIT / (LOSS) FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX		8,400,230	1,627,055	5,584,155	(5,418,845)
Zakat and income tax		(1,303,094)	(1,240,790)	(3,307,990)	(1,740,790)
NET PROFIT / (LOSS) FOR THE PERIOD		7,097,136	386,265	2,276,165	(7,159,635)
NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Shareholders of the parent Company		6,112,278	(3,416)	1,020,455	(7,605,251)
Non-controlling interests		984,858	389,681	1,255,710	445,616
		7,097,136	386,265	2,276,165	(7,159,635)
BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	15	0.09	(0.00)	0.02	(0.17)

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.


Sherif Esmat
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer



عنه
Abdulaziz Alrashed
Chairman


Al Khaleej Training and Education Company
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Comprehensive Income
For the Three-month and Six-month periods ended 30 June 2022
(All amounts are in Saudi Riyal unless otherwise stated)

	For the Three-month-period ended 30 June		For the Six-month-period ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET PROFIT / (LOSS) FOR THE PERIOD	7,097,136	386,265	2,276,165	(7,159,635)
OTHER COMPEREHNSINVE INCOME / (LOSS)				
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation reserve	911,142	168,892	1,605,409	(779,501)
Items that will not be reclassified subsequently to profit or loss:				
Change in the fair value of investments in equity instruments	(50,168,538)	49,904,493	(47,528,089)	58,896,796
Other comprehensive (loss) / income	(49,257,396)	50,073,385	(45,922,680)	58,117,295
TOTAL COMPREHENSIVE (LOSS)/ INCOME	(42,160,260)	50,459,650	(43,646,515)	50,957,660
TOTAL COMPREHENSIVE (LOSS) / INCOME ATTRIBUTABLE TO:				
Shareholders of the parent company	(43,145,118)	49,840,308	(44,902,225)	50,987,466
Non-controlling interests	984,858	619,342	1,255,710	(29,806)
	(42,160,260)	50,459,650	(43,646,515)	50,957,660

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.


Sherif Esmat
Chief Financial Officer



Alwaleed A. Aldryaan
Chief Executive Officer

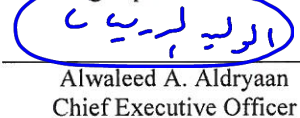

Abdulaziz Alrashed
Chairman

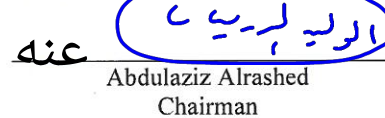
Al Khaleej Training and Education Company
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Changes In Equity
For the Six-month period ended 30 June 2022
(All amounts are in Saudi Riyal unless otherwise stated)

	Equity attributable to the shareholders								
	Share capital	Statutory Reserve	Actuarial reserve	Retained earnings	Foreign currency translation reserve	Fair value reserve	Equity	Non-controlling interests	Total
Balance at 1 January 2021 (Audited)	450,000,000	84,149,823	(13,297,029)	58,013,676	(2,772,628)	20,693,499	596,787,341	8,053,718	604,841,059
Prior year adjustments	-	-	-	(15,250,665)	-	-	(15,250,665)	-	(15,250,665)
Prior year adjustments	-	-	-	15,246,345	-	-	15,246,345	-	15,246,345
Balance at 1 January 2021 (Restated)	450,000,000	84,149,823	(13,297,029)	58,009,356	(2,772,628)	20,693,499	596,783,021	8,053,718	604,836,739
Net (loss) / profit for the period	-	-	-	(7,605,251)	-	-	(7,605,251)	445,616	(7,159,635)
Other comprehensive income / (loss)	-	-	-	-	(749,695)	58,896,796	58,147,101	(29,806)	58,117,295
Total profit and comprehensive income / (loss)	-	-	-	(7,605,251)	(749,695)	58,896,796	50,541,850	415,810	50,957,660
Dividends paid (Note 19, 20)	-	-	-	(11,250,000)	-	-	(11,250,000)	(1,214,055)	(12,464,055)
Balance at 30 June 2021 (Unaudited)	450,000,000	84,149,823	(13,297,029)	39,154,105	(3,522,323)	79,590,295	636,074,871	7,255,473	643,330,344
Balance at 1 January 2022 (Audited)	650,000,000	85,365,123	(30,057,880)	58,642,049	(2,728,550)	54,241,981	815,462,723	3,517,416	818,980,139
Transferred from acquired company (Note 18-A)	-	-	-	-	-	-	-	15,599,493	15,599,493
Net profit for the period	-	-	-	1,020,455	-	-	1,020,455	1,255,710	2,276,165
Other comprehensive income / (loss)	-	-	-	-	1,605,409	(47,528,089)	(45,922,680)	-	(45,922,680)
Total comprehensive income / (loss)	-	-	-	1,020,455	1,605,409	(47,528,089)	(44,902,225)	1,255,710	(43,646,515)
Dividends paid (Note 20)	-	-	-	-	-	-	-	(2,778,300)	(2,778,300)
Balance at 30 June 2022 (Unaudited)	650,000,000	85,365,123	(30,057,880)	59,662,504	(1,123,141)	6,713,892	770,560,498	17,594,319	788,154,817

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.


Sherif Esmat
Chief Financial Officer

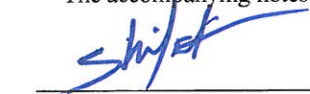

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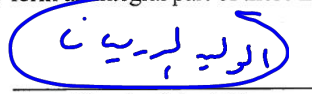

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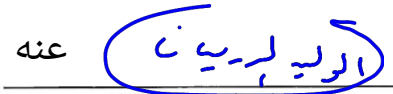
Al Khaleej Training and Education Company
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Cash flows
For the Six-month periods ended 30 June 2022
(All amounts are in Saudi Riyal unless otherwise stated)

	Note	For the six-month period ended	
		30 June	30 June
		2022	2021
		(Unaudited)	(Unaudited)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit / (loss) before zakat and income tax		5,584,155	(5,418,845)
Adjustments to:			
Depreciation and amortization		32,560,012	24,937,261
Deferred gain on sale of property and equipment		(401,874)	(401,874)
Provision for employees' post-employment benefits	11	8,853,695	10,510,857
Reversal of provision for expected credit loss	6	(5,628,663)	-
Unrealized loss on financial derivative instruments		681,125	-
Financial charges	12	29,497,436	31,122,201
Foreign currency translation reserve		1,605,409	(749,695)
		<u>72,751,295</u>	<u>59,999,905</u>
Net changes in working capital:			
Trade receivable		(18,315,986)	(78,574,310)
Prepayments and other receivables		36,811,655	10,242,128
Unbilled revenues		15,560,950	(2,752,677)
Inventories		550,105	(583,667)
Due from related parties		1,977,327	(240,041)
Trade and other payables		(37,780,522)	2,240,325
Cash flows generated from / (used in) operating activities		<u>71,554,824</u>	<u>(9,668,337)</u>
Employees' post-employment benefits paid	11	(12,649,537)	(6,374,339)
Zakat and income tax paid		(10,475,017)	(2,172,491)
Net cash generated from / (used in) operating activities		<u>48,430,270</u>	<u>(18,215,167)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Additions to intangible assets		-	(723,423)
Purchase of property and equipment		(49,977,702)	(24,739,895)
Net cash used in acquisition of subsidiary, net cash paid	18	(2,501,399)	-
Net cash used in investing activities		<u>(52,479,101)</u>	<u>(25,463,318)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Banks overdraft		(606,800)	9,219,164
Borrowings, net		26,924,011	62,330,710
Lease obligations paid		(46,599,900)	(29,962,452)
Dividend paid		-	(11,250,000)
Non-controlling interests		(2,778,300)	(1,243,861)
Net cash (used in) / generated from financing activities		<u>(23,060,989)</u>	<u>29,093,561</u>
Net change in cash and cash equivalents		<u>(27,109,820)</u>	<u>(14,584,924)</u>
Cash and cash equivalents at the beginning of the period		126,105,863	28,271,875
Cash and cash equivalents at the end of the period		<u>98,996,043</u>	<u>13,686,951</u>

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.


Sherif Esmat
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer


عنه
Abdulaziz Alrashed
Chairman

Al Khaleej Training and Education Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six-month period ended 30 June 2022

(All amounts are in Saudi Riyal unless otherwise stated)

1. INFORMATION AND ACTIVITIES

1-1 Corporate information

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

On 30 March 2021 corresponding to Sha'aban 17, 1442 AH, the company announced the Board of Directors' recommendation to increase the capital by offering rights shares in order to enable the company to acquire assets in education sector. The Capital Market Authority "CMA" issued its approval of the company's request to increase the capital on 30 September 2021, and the Extraordinary General Assembly approved the capital increase on 3 November 2021 corresponding to Rabi' al-Awal 28, 1443 H by offering rights-based shares to shareholders at an increase of 0.44 shares for each share, and the number of increase shares is 20 million shares, with a value of 200 million Riyal Saudi. After the increase, the capital became 650 million Saudi Riyal, divided into 65 million ordinary shares.

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

1-2 Group information

The following is the list of subsidiaries included in these interim condensed consolidated financial statements which provide training services. The ownership percentages below as of 30 June 2022:

<i>Subsidiary companies</i>	<i>Country of incorporation</i>	<i>Direct / indirect ownership</i>
Fast Lane Group (Fast Lane Consultancy duty free – LTD.)	United Arab Emirates	80%
Al Khaleej Training and Information Technology Company	Egypt	57 %
Online Trading Academy Duty free – LTD.	United Arab Emirates	100%
Applied Digital Media Services Company	United Arab Emirates	100%
Franklin Covey Middle East Company and its subsidiaries	United Arab Emirates	61%
Linguaphone Limited Company	United Kingdom	100%
Jobzilla for General Consulting	Egypt	60%
Al-Roqi National Schools Company (1)	Saudi Arabia	60%

(1) During 2022, the Company acquired 60% of Al-Roqi National Schools Company is a limited liability company, established under the Companies Law in the Kingdom of Saudi Arabia and registered in Riyadh under Commercial Registration No. 1010189989 on 23 Rajab, 1424 H corresponding to 20 September 2003.

The principal activity of Al-Roqi National Schools Company is to establishing, operating and maintaining private schools for all levels – kindergarten / preparatory/ primary/ middle/secondary for boys and girls.

Al Khaleej Training and Education Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six-month period ended 30 June 2022

(All amounts are in Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION AND CONSOLIDATION

2-1 Basis of compliance

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's annual financial statements as of and for year ended 31 December 2021.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual statements to prepare a complete set of financial statements, however accounting policies and explanatory notes are mentioned to explain events and the important transaction to understand the changes in the Group's financial position and its performance since the last annual financial statement of the Group.

The results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that can be expected for the financial year ending 31 December 2022.

2-2 Basis of measurement

These interim condensed consolidated financial statements have been prepared in accordance with the historical cost basis, with the exception of employee benefits obligations is recognised at the present value of future obligations using the Projected Unit Credit Method and the equity investment is measured at fair value through other comprehensive income (OCI).

2-3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group, all figure have been rounded off to nearest Saudi riyals unless otherwise mentioned.

2-4 Basis of consolidation

The interim condensed consolidated financial statements comprise from the parent Company and its subsidiaries financial statement for the three-month and six-month period ended 30 June 2022. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group maintains less than the majority of voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the over voting holders of the investee
- Rights arising from other contractual arrangements
- The Groups voting rights and potential rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses its control the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date that the Group gains until the date the Group ceases to control over subsidiary.

Profit or loss and each component of consolidated comprehensive income are attributed to shareholders of the parent Company of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies.

All intra-Group asset and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full upon consolidation.

Al Khaleej Training and Education Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six-month period ended 30 June 2022

(All amounts are in Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

2-4 Basis of consolidation (Continued)

A change in the ownership interest of subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in consolidated statement of profit or loss.
- Reclassifies the parent Company share of components previously recognized in the comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2-5 Use of estimates and assumptions

The preparation of these interim condensed consolidated financial statements required management to make judgments, estimates and assumptions that affect the application of policies and reported amounts, liabilities, revenues, and expenses. Actual results may differ from these estimates.

The significant estimates made by management when applying the Company's accounting policies and the significant sources of estimation uncertainties were the same as those shown in the last annual financial statements.

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

New Standards, Amendment to Standards and Interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in Group annual Consolidated Financial Statements for the year ended 31 December 2021, but they do not have a material effect on the Group's Condensed Consolidated Interim Financial Statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

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4. INTANGIBLE ASSETS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Goodwill (a)	33,421,063	25,639,990
Franchise rights and software (b)	5,395,399	6,227,538
	38,816,462	31,867,528

a) Impairment assessment on goodwill:

The Group's management performs annual impairment test of goodwill for the purpose of impairment assessment and to identify whether the carrying value of goodwill is less than its recoverable value. The recoverable value is determined based on information used in the expected work plans for the five years following the financial statements and their related cash flows. Impairment assessment is performed based on the measurement of current value of the future cash flows for five years in accordance with reasonable and objective assumptions to estimate cash flow depending on recent variable budgets approved by the management.

Management believes that there is no reasonable probable change in any key assumptions that may lead to a significant change in goodwill over its recoverable value.

Goodwill has been allocated to cash-generating units of the Group as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Fast Lane Group (Fast Lane Consultancy duty free – LTD.)	5,583,436	5,583,436
Franklin Covey Middle East Company and its subsidiaries	2,346,883	2,346,883
Jobzilla for General Consulting	2,296,875	2,296,875
Linguaphone Limited Company	15,412,796	15,412,796
Al-Roqi National Schools Company (Note 18)	7,781,073	-
	33,421,063	25,639,990

b) Franchise rights and software

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

	For the six months period ended 30 June 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
<u>Cost:</u>		
At the beginning of the period / year	15,202,524	14,736,421
Additions during the period / year	-	466,103
At the end of the period / year	15,202,524	15,202,524
<u>Accumulated amortization:</u>		
At the beginning of the period / year	8,974,986	8,429,641
Charge for the period / year	832,139	545,345
At the end of the period / year	9,807,125	8,974,986
Net book value	5,395,399	6,227,538

5. RIGHT OF USE ASSETS

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

	For the six months period ended 30 June 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at the beginning of the period / year	434,631,475	414,213,223
Additions during the period / year	4,783,478	57,717,315
Depreciation during the period / year	(17,529,042)	(37,299,063)
Balance at the end of the period / year	421,885,911	434,631,475

6. TRADE RECEIVABLE

Trade receivables include amounts totaling of SR 371 million (31 December 2021: SR 284 million) due from government and quasi-government institution in which balance of SR 158 million is due over one year as of 30 June 2022 (31 December 2021: SR 151 million).

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

	For the six months period ended 30 June 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at the beginning of the period / year	57,040,488	62,589,778
Reversal for the period / year	(5,628,663)	(5,516,800)
Amounts written off during the period / year	-	(32,490)
Balance at the end of the period / year	51,411,825	57,040,488

7. RELATED PARTIES TRANSACTIONS

<u>Related party</u>	<u>Nature of transactions</u>	30 June 2022 (Unaudited)	30 June 2021 (unaudited)
Entities owned by the company's directors	Rent as lessee	450,000	450,000
	Rent as lessor	683,000	683,000
Swaad Al-Raqi – Associate	Rent as lessor	39,000	-
	Payment on behalf	33,000	-
<u>Key management remuneration</u>			
Board of director	Bonuses	615,000	450,000
	Allowances	60,000	108,000
<u>Short-term benefits:</u>			
Salaries including bonuses	Salaries and bonuses	3,905,598	3,544,498
<u>Post-employment benefits:</u>			
Termination benefits	End of service	2,275,474	1,045,349
	Paid	1,885,465	1,302,950

7-1 Due from related parties

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Entities owned by the company's directors	1,066,601	1,477,846
Swaad Al-Raqi – Associate	72,201	-
	1,138,802	1,477,846

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7. RELATED PARTIES TRANSACTIONS (CONTINUED)

7-1 Due from related parties (continued)

Amounts due from 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.

The Group confirmed that it will continue provide financial support to its subsidiary "LinguaPhone Group Limited" to enable it to meet its liabilities the fall due for a period of twelve months from date of signing the subsidiary financial statements. The Group - as the sole shareholder in Linguaphone - confirmed not to recall any amounts owed to it until the subsidiary "LinguaPhone" has sufficient resources.

The Group has not recorded any impairment loss on amounts due from related parties. Valuation of impairment is performed every financial year by examining the financial position of the related entity and the market in which the entity is involved.

8. SHARE CAPITAL

The Company's capital consists of 65 million shares as at 30 June 2022 (31 December 2021: 65 million shares) of SR 10 each.

9. BORROWINGS

The Group obtained long-term and short-term loans from several local banks to finance the Group's projects to construct buildings for educational establishments during the period. The loans are charged a commission equal to the Saudi inter-bank borrowing rate (SAIBOR). All loans are secured by promisory note and the pledge of part of the Group's land to the banks. The agreements include covenants which, among other things, require the Group to maintain certain financial ratios. As of 30 June 2022, the Group was in compliance with certain covenants of the financing agreements.

10. LEASE OBLIGATIONS

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

- a) Leased building through sale and lease back. The Group 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 Group's expansion in educational projects. The Group then leased back the building for 20 years ending in the year 2034. Gain from the sale transaction, amounting to approximately SR 16 million, was deferred in accordance with the requirements of the IFRS 16 "Leases" issued by "SOCPA", and will be recognized in subsequent period 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 SR 48.7 million). In the interim condensed consolidated statement of profit or loss the Group recognized an amount of SR 401,874 as gain from sale of the building (30 June 2021: SR 401,874).
- b) Schools leased building in Dammam. on 25 August 2016 the Group has signed a contract with Mohammed Abdulaziz Al Rajhi and Sons Investment Group, to lease Al Ishraq Building Schools for 20 years. The building lease was classified as a finance lease (with present value SR 17.8 million) and the rent of land was classified as right of use.
- c) Three schools leased in Dammam and Riyadh on 23 December 2019, the Group has signed a sale and leaseback contract with Al Rajhi Capital Fund, to lease Dammam Schools, Moghrazat Schools and Sahafa Schools for 15 years.

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11. EMPLOYEES' POST-EMPLOYMENT 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:

	For the six months period ended 30 June 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at the beginning of the period / year	69,552,565	60,808,916
Balance transferred from acquired companies	1,433,435	-
Cost of service and interest included in profit or loss for the period / year	8,853,695	12,019,801
Actuarial loss on remeasurement of end of service benefits for the period / year	-	16,760,851
Paid during the period/year	(12,649,537)	(20,037,003)
Balance at the end of the period / year	67,190,158	69,552,565

12. FINANCE COST

	For the Six-period ended 30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Finance cost on lease obligation	21,869,425	22,206,760
Finance cost on borrowings	7,628,011	8,915,441
	29,497,436	31,122,201

13. ZAKAT AND INCOME TAX**13-1 ZAKAT STATUS**

The Group submitted their declarations to Zakat, Tax and Customs Authority "ZATCA" until the year ended 31 December 2021 and obtained a certificate from ZATCA valid until 10 Shawwal 1444H corresponding to 30 April 2023.

The Group has received assessments dated 22 December 2020 from the ZATCA for the years from 2015 to 2018 with zakat payable amount of SR 25,084,981. The Group has filed an appeal against these assessments during 2021. The Management is confident on favorable outcome of the appeals. Accordingly, no provision is recorded for the same.

The Group has received assessments dated 21 October 2021 from ZATCA for the years 2019 and 2020 with zakat payable amount of SR 37,134,367. The Group filed an appeal against these assessments during 2021, and the Management based on the opinion of its external consultant believe that the appeal is still under process by initial committee. During 2022 the Group has paid SR 9 million as per ZATCA request as a guarantee to accept the appeal. No provision is recorded for the same.

13-2 ZAKAT PROVISION MOVEMENT

	For the six months period ended 30 June 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at the beginning of the period / year	10,749,568	1,474,691
Charged during the period / year	3,307,990	11,483,259
Paid during the period / year	(10,475,017)	(2,208,382)
Balance at end of the period / year	3,582,541	10,749,568

14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**a) Contingencies**

- The Group's banks issued, on its behalf and during its normal course of business bank guarantees amounted to SR 100.4 million as at 30 June 2022 (31 December 2021: SR 108.7 million).

- The Group confirmed that it will continue to provide financial support to its subsidiary "Linguaphone Group Limited" to enable it to meet its liabilities the fall due for a period of twelve months from date of signing the subsidiary financial statements. The Group - as the sole shareholder in Linguaphone - confirmed not to recall any amount owed to it until the subsidiary "Linguaphone" has sufficient resources.

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14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (CONTINUED)**b) Commitments**

The capital expenditure committed by the Group but not incurred till 30 June 2022 amounting to SR 110.7 million (31 December 2021: SR 134.8 million).

15. EARNING PER SHARE

Basic and diluted earnings / (loss) share is calculated by dividing the profit / (loss) for the period attributable to the shareholders of the Parent company by the weighted average number of ordinary shares during the period:

	For the Three month-period ended		For the Six month-period ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit / (loss) for the period	6,112,278	(3,416)	1,020,455	(7,605,251)
Weighted average number of ordinary shares	65,000,000	45,000,000	65,000,000	45,000,000
Basic and diluted earnings / (loss) per share	0.09	(0.00)	0.02	(0.17)

16. 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- Training**a. 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.

b. 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.

2- Universities

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.

3- Projects Management

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. This segment consists of all the subsidiaries of the group outside the Kingdom along with the Head Office sector.

4- Smart Link (Call centers)

This segment provides management and operating the customer service centers via telephone as well as the digital technologies means for a number of Government and private companies.

5- Schools

This segment is engaged in incorporating private educational schools for (boys/girls) from KG to grade 12 within the Kingdom of Saudi Arabia. Currently, the segment manages and operates a number of school's chain (American

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16. SEGMENT INFORMATION (CONTINUED)

	Projects Management	Training	Smart Link	University	Schools	Total
<u>30 June 2022 (Unaudited)</u>						
Revenues	52,331,160	32,771,297	199,236,914	83,500,027	73,312,167	441,151,565
Depreciation and amortization	3,366,785	5,327,830	6,573,015	139,280	17,153,102	32,560,012
Profit / (loss) before zakat and income tax	(1,745,278)	(6,811,656)	5,978,013	4,748,437	3,414,639	5,584,155
Total assets	199,770,061	138,500,923	460,056,124	57,865,498	999,680,474	1,855,873,080
Total liabilities	332,339,987	33,721,773	271,779,118	3,764,013	426,113,372	1,067,718,263
 <u>30 June 2021 (Unaudited)</u>						
Revenues	25,850,131	82,214,661	198,910,555	40,374,095	51,919,774	399,269,216
Depreciation and amortization	1,812,507	3,840,754	7,508,579	125,629	11,649,792	24,937,261
Profit / (loss) before zakat and income tax	(4,384,498)	7,904,988	(3,254,915)	930,405	(6,614,825)	(5,418,845)
Total assets	294,252,787	161,498,669	271,951,479	67,704,252	872,616,192	1,668,023,379
Total liabilities	12,468,339	137,709,761	90,365,824	62,022,784	722,122,008	1,024,688,716

Foreign revenues did not meet any of the quantitative limits referred to in IFRS 8 "Operating Segments" and therefore the geographical segments information was not disclosed.

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17. 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).

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

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>30 June 2022 (Unaudited)</u>				
Financial assets				
Investment in equity instruments at fair value through OCI	240,808,985	17,023,499	-	257,832,484
Financial derivative instrument carried at FVTPL	-	-	2,431,103	2,431,103
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>31 December 2021 (Audited)</u>				
Financial assets				
Investment in equity instruments at fair value through OCI	288,337,074	17,023,499	-	305,360,573
Financial derivative instrument carried at FVTPL	-	-	3,112,228	3,112,228

18. ACQUIRING SUBSIDIARY

The acquisition was calculated using the acquisition method under IFRS 3 - Business Combinations (the "Standard") with Al Khaleej Training and Education Company being the acquiring party and Al-Roqi National Schools Company being the acquired party. As required by the standard, Al Khaleej Training and Education Company is in the process of allocating the purchase consideration for identifiable assets and liabilities up to the date of issuance of the interim condensed consolidated financial statements. Accordingly, Al Khaleej Training and Education Company has calculated the acquisition based on the temporary fair values of the acquired assets and liabilities as on the date of acquisition, as independent evaluations have not been completed. The adjustment to these provisional values will be completed within twelve months from the date of acquisition as permitted by the standard.

The Group is in the process of making a comprehensive allocation of the purchase price, which is expected to be completed within twelve months from the date of acquisition and will focus, without limitation, on the completion of valuation adjustments on the following:

- recognition of intangible assets,
- property and equipment,
- Recognition of other financial and non-financial assets and liabilities,

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18. ACQUIRING SUBSIDIARY (CONTINUED)

The initial purchase price allocation is included in the consolidated financial statements. Subsequent adjustments will occur during the measurement period when the Group completes its estimate of the fair values of the assets acquired and the liabilities assumed. Accounting for the fair value of the financial assets and liabilities acquired from Al-Roqi National Schools Company is provisional due to the inherent complexity and discretion associated with identifying intangible assets and determining the fair value of intangible assets and items included in the statement of financial position.

As of 1 January 2022, the Group acquired 60% of the capital of Al-Roqi National Schools Company in exchange for a payment of 31,180,313 Saudi riyals, and thus the Group became controlling the Al-Roqi National Schools Company. The activity of Al-Roqi National Schools Company is as shown in Note (1-2). It qualifies as a commercial company as defined in IFRS 3. The Al-Roqi National Schools Company was acquired to develop the group's operations.

The book value of the identifiable assets and liabilities acquired from Al-Roqi National Schools Company amounted to SR 23,399,240 Goodwill was recognized in the amount of SR 7,781,073, which represents amounts in excess of the net book value of the identifiable net assets acquired.

The fair values have been determined based on the professional experience and judgment of the valuer, considering prevailing market conditions, current conditions of the assets and sources of market information. The valuation will be carried out by an independent valuator according to international valuation standards. The valuation results were arrived at by reference to open market value models. The process of allocating the purchase price will be carried out by an independent third party on the basis of the valuation report of the independent expert.

The legal procedures related to the purchase of the Al-Roqi National Schools Company were completed during the year, and a no-objection approval was obtained from the General Authority for Competition.

The assets and liabilities recognized as a result of the acquisition are as follows:

	<u>Note</u>	<u>SR</u>
Property and equipment, net		17,593,413
Trade receivables		3,937,924
Due from Related party		1,638,283
Prepayments and other current assets		1,861,987
Inventory		73,006
Cash and cash equivalents		28,678,914
Employee post-employment benefits		(1,433,435)
Trade and other payables		(3,036,474)
Loans		(10,314,885)
Total fair value of the identifiable assets and liabilities acquired		38,998,733
Non-controlling interests		15,599,493
Net of the identifiable assets and liabilities acquired		23,399,240
Goodwill	4a	7,781,073
Total		31,180,313
<u>Net cash used from the acquisition</u>		
Paid amounts		31,180,313
Cash and cash equivalents		(28,678,914)
Total		2,501,399

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19. GENERAL ASSEMBLY RESOLUTIONS

The general assembly has agreed on the following recommendations of the board of directors in its meeting held on 16 Dhul-Qi'dah 1443H (corresponding to 15 June 2022):

- Approval of the Board of Directors' recommendation not to distribute cash dividends to shareholders for the fiscal year ending on 31 December 2021 (31 December 2021: SR 11,250,000) to focus on acquisitions and expansions in the education sector and to provide the necessary funding for them and to support the Group's financial position.
- Approval of the disbursement of an amount of (SR 900,000) as a reward to members of the Board of Directors for the fiscal year ending on 31 December 2021.
- Approval of the disbursement of an amount (SR 180,000) as a remuneration to the members of the Audit Committee for the fiscal year ending on 31 December 2021.

20. DIVIDENDS

As at 30 June 2022 the partners of Franklin Covey Middle East Company and its subsidiaries (subsidiary of the Company owned with 61% shareholding) resolved a dividend of SR 2,778,300 (30 June 2021: SR 1,214,055).

21. SIGNIFICANT EVENTS

On 16 Dhul-Qi'dah 1443H (corresponding to 15 June 2022G) Al Khaleej Training and Education Company announced its intention to purchase 300,000 of its shares to keep as treasury shares within the framework of the long-term employee incentives program for senior executives of the Group, this Shares Shall not have voting rights in the General Assembly's Meetings. The Group is in the process of completing the legal requirements.

22. SUBSEQUENT EVENTS

- On 6 Dhul-Hijjah 1443H (corresponding to 5 July 2022G) the Group announced the signing of the sale and purchase agreement regarding the acquisition of 60% of the ownership shares of Al-Faisaliah National Schools Company, the total value of this deal is only SR 60,000,000.
The Group in process of completing the legal requirements, the financial advisor for this transaction is Quality and Time Business Services.
- The Group completed the legal procedures of restructuring one of its branch (Smart Link call centers) from the Group as an independent Company, the new company is named "Advanced Systems and Solutions Company for Communications and the Group currently in the process of register the new company with same commercial registration number of 1010369937. Al Khaleej Training and Education Company owns 100% on the new company.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the period ended 30 June 2022 have been approved by the Board of Directors on 24 Muharram 1444H corresponding to 22 August 2022.