

AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2020



Crowe

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

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

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND REVIEW REPORT
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020

<u>Index</u>	<u>Page</u>
REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	1
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7 - 15

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

**To: The Shareholders of
Al Khaleej Training and Education Company
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Al Khaleej Training and Education Company (the "Company")** and its subsidiaries (the "Group") as at 30 September 2020, and the related condensed consolidated interim statements of profit or loss, comprehensive income for the three and nine-month periods ended 30 September 2020, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-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 condensed consolidated interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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 condensed consolidated 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 25, 2020.



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


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

22 Rabi Al-Awwal 1442H (November 8, 2020)
Riyadh, Kingdom of Saudi Arabia

Audit, Tax & consultants

Salman B. AlSudairy
License No. 283

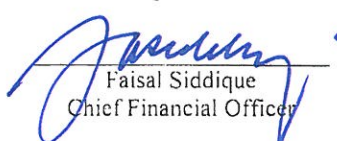
Musab AlShaikh
License No. 658

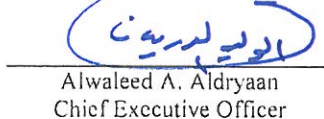
Abdullah M. AlAzem
License No. 335

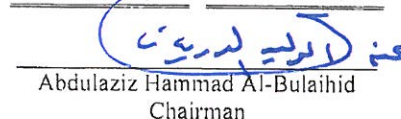
AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Notes	30 September 2020 SAR (Unaudited)	31 December 2019 SAR (Audited)
ASSETS			
Non-current assets			
Intangible assets, net		38,991,235	40,718,000
Right of use of assets, net	4	435,263,878	400,458,252
Property and equipment, net	5	456,676,658	436,864,138
Investments in equity instruments at fair value through other comprehensive income		285,970,288	269,071,412
		<u>1,216,902,059</u>	<u>1,147,111,802</u>
Current assets			
Cash and cash equivalents		32,498,061	181,967,462
Accounts receivables, net	6	310,448,255	286,170,469
Other current assets		103,376,568	128,355,188
Unbilled revenue		46,669,690	22,687,655
Inventories, net		12,375,217	13,602,785
Due from related parties	7	1,650,263	1,430,809
		<u>507,018,054</u>	<u>634,214,368</u>
TOTAL ASSETS		<u>1,723,920,113</u>	<u>1,781,326,170</u>
EQUITY AND LIABILITIES			
Equity attributable to the shareholders			
Share capital	8	450,000,000	450,000,000
Statutory reserve		83,054,313	83,054,313
Retained earnings		74,170,504	69,834,487
Foreign currency translation reserve		(2,654,448)	(2,234,632)
Fair value reserve		34,851,696	17,952,820
Total equity attributable to the shareholders		<u>639,422,065</u>	<u>618,606,988</u>
Non-controlling interest		<u>7,183,383</u>	<u>11,097,193</u>
Total equity		<u>646,605,448</u>	<u>629,704,181</u>
LIABILITIES			
Non-current liabilities			
Non-current portion of long term loans	9	160,000,000	98,544,584
Non-current portion of deferred income	10	11,051,539	11,654,350
Non-current portion of finance lease obligations	10	477,474,672	474,778,157
Employees' end of service benefits	11	56,325,847	56,013,132
		<u>704,852,058</u>	<u>640,990,223</u>
Current liabilities			
Banks overdraft		5,095,222	3,561,090
Short-term loans	9	243,793,139	324,993,901
Current portion of long term loans	9	-	24,584,414
Current portion of deferred income	10	803,748	803,748
Current portion of finance lease obligations	10	32,911,017	34,453,841
Trade and other payables		88,707,377	119,624,254
Due to related parties	7	-	2,658
Zakat and income tax payable		<u>1,152,104</u>	<u>2,607,860</u>
		<u>372,462,607</u>	<u>510,631,766</u>
Total liabilities		<u>1,077,314,665</u>	<u>1,151,621,989</u>
TOTAL EQUITY AND LIABILITIES		<u>1,723,920,113</u>	<u>1,781,326,170</u>


Faisal Siddique
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer


Abdulaziz Hammad Al-Bulaihid
Chairman

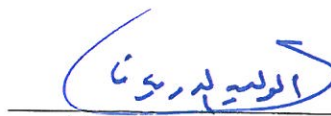
The accompanying notes an integral part of these interim condensed consolidated financial statements

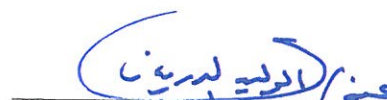
AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

	For the Three month period ended		For the Nine month period ended	
Note	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	SAR	SAR	SAR	SAR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	183,970,812	208,818,237	579,325,604	624,208,697
Cost of revenues	(155,180,488)	(158,133,662)	(502,073,658)	(514,071,901)
GROSS PROFIT	28,790,324	50,684,575	77,251,946	110,136,796
Selling and marketing expenses	(11,459,618)	(13,280,546)	(20,172,061)	(24,649,746)
General and administrative expenses	(11,782,760)	(14,243,296)	(31,666,982)	(37,932,274)
Impairment of financial assets	(3,867,228)	(2,514,713)	(13,845,000)	(8,332,073)
PROFIT FROM MAIN OPERATIONS	1,680,718	20,646,020	11,567,903	39,222,703
Other income	9,456,526	941,562	16,467,006	3,117,984
Financial charges	(3,936,072)	(6,768,733)	(11,509,065)	(21,450,479)
PROFIT BEFORE ZAKAT AND INCOME TAX	7,201,172	14,818,849	16,525,844	20,890,208
Zakat and income tax	(500,000)	(830,197)	(1,474,167)	(2,093,811)
NET PROFIT FOR THE PERIOD	6,701,172	13,988,652	15,051,677	18,796,397
NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Shareholders	6,533,493	13,134,793	15,586,017	16,870,773
Non-controlling interest	167,679	853,859	(534,340)	1,925,624
	6,701,172	13,988,652	15,051,677	18,796,397
BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD	0.15	0.29	0.35	0.37


Faisal Siddique
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer


Abdulaziz Hammad Al-Bulaihid
Chairman

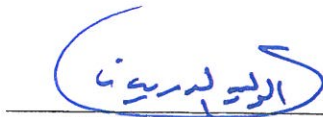
The accompanying notes are an integral part of these interim condensed consolidated financial statements

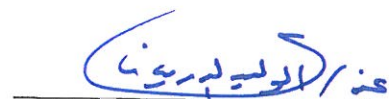
AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

	For the Three month period ended		For the Nine month period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	SAR (Unaudited)	SAR (Unaudited)	SAR (Unaudited)	SAR (Unaudited)
NET PROFIT FOR THE PERIOD	6,701,172	13,988,652	15,051,677	18,796,397
OTHER COMPREHENSIVE INCOME / (LOSS)				
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation reserve	(1,147,976)	(141,002)	(1,014,901)	1,219,348
unrealized gain on investment in equity instruments at fair value through other comprehensive income	46,735,954	-	16,898,876	-
Other comprehensive income / (loss) for the period	45,587,978	(141,002)	15,883,975	1,219,348
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	52,289,150	13,847,650	30,935,652	20,015,745
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Shareholders	52,147,983	13,027,507	31,530,738	18,167,448
Non-controlling interest	141,167	820,143	(595,086)	1,848,297
	52,289,150	13,847,650	30,935,652	20,015,745


Faisal Siddique
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer


Abdulaziz Hammad Al-Bulaihid
Chairman

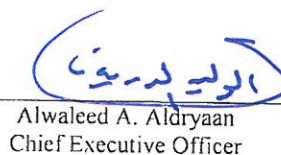
The accompanying notes are an integral part of these interim condensed consolidated financial statements

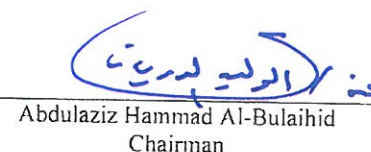
AL KHALEEL TRAINING AND EDUCATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Equity attributable to the shareholders						Non-controlling interest	Total
	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Fair value reserve	Equity		
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Balance at 1 January 2019 (Audited)	450,000,000	76,627,243	23,110,622	(2,755,173)	171,143	547,153,835	8,470,817	555,624,652
Net profit for the period	-	-	16,870,773	-	-	16,870,773	1,925,624	18,796,397
Other comprehensive income / (loss)	-	-	-	1,296,675	-	1,296,675	(77,327)	1,219,348
Total comprehensive income	-	-	16,870,773	1,296,675	-	18,167,448	1,848,297	20,015,745
Balance at 30 September 2019 (Unaudited)	450,000,000	76,627,243	39,981,395	(1,458,498)	171,143	565,321,283	10,319,114	575,640,397
Balance at 1 January 2020 (Audited)	450,000,000	83,054,313	69,834,487	(2,234,632)	17,952,820	618,606,988	11,097,193	629,704,181
Net profit (loss) for the period	-	-	15,586,017	-	-	15,586,017	(534,340)	15,051,677
Other comprehensive income / (loss)	-	-	-	(419,816)	16,898,876	16,479,060	(595,086)	15,883,974
Total comprehensive income	-	-	15,586,017	(419,816)	16,898,876	32,065,077	(1,129,426)	30,935,651
Dividends paid	-	-	(11,250,000)	-	-	(11,250,000)	-	(11,250,000)
Dividends to non-controlling interest	-	-	-	-	-	-	(2,784,384)	(2,784,384)
Balance at 30 September 2020 (Unaudited)	450,000,000	83,054,313	74,170,504	(2,654,448)	34,851,696	639,422,065	7,183,383	646,605,448


Faisal Siddique
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer

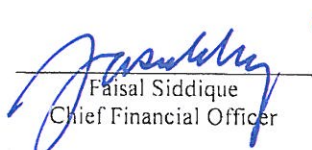

Abdulaziz Hammad Al-Bulaihid
Chairman

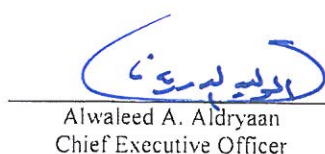
The accompanying notes are an integral part of these interim condensed consolidated financial statements

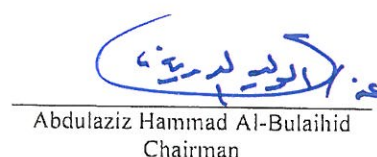
AL KHALEEJ TRAINING AND EDUCATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	30 September 2020 SAR (Unaudited)	30 September 2019 SAR (Unaudited)
OPERATING ACTIVITIES		
Net profit for period	15,051,677	18,796,397
Adjustments to:		
Depreciation and amortization	35,968,431	35,269,832
Deferred gain on sale of property and equipment	(602,811)	(602,811)
Provision for employees' end of service benefits	8,473,045	22,808,603
Impairment of other financial assets	13,845,000	8,332,073
Foreign currency translation reserve	(419,816)	1,296,675
Provision for zakat and income tax	1,474,167	2,093,811
	73,789,693	87,994,580
Net changes in working capital:		
Accounts receivable	(38,122,786)	(6,575,038)
Other current assets	24,978,620	(54,242,323)
Inventories	1,227,568	(505,972)
Unbilled revenue	(23,982,035)	5,940,740
Related parties' balances	(222,112)	(1,609,064)
Trade and other payables	(30,916,877)	19,334,957
Cash flows provide by operating activities	6,752,071	50,337,880
Employees' end of service benefits paid	(8,160,330)	(24,162,087)
Zakat and income tax paid	(2,929,923)	(2,443,454)
Net cash flows (used in) provide by operating activities	(4,338,182)	23,732,339
INVESTING ACTIVITIES		
Purchase of property and equipment	(30,343,103)	(43,415,715)
Additions to intangible assets	(2,040,415)	(1,034,673)
Right of use of assets	(60,134,921)	(2,601,782)
Net cash flows used in investing activities	(92,518,439)	(47,052,170)
FINANCING ACTIVITIES		
Banks overdraft	1,534,132	(13,128,560)
Term loans, net	(44,329,760)	39,986,730
Lease obligations	4,812,318	(5,854,562)
Dividends paid	(11,250,000)	-
Non-controlling interest	(3,379,470)	(77,327)
Net cash flows (used in) provide by financing activities	(52,612,780)	20,926,281
Net change in cash and cash equivalents	(149,469,401)	(2,393,550)
Cash and cash equivalents at the beginning of the period	181,967,462	38,465,027
Cash and cash equivalents at the end of the period	32,498,061	36,071,477


Faisal Siddique
Chief Financial Officer


Alwaleed A. Aldryaan
Chief Executive Officer


Abdulaziz Hammad Al-Bulaihid
Chairman

The accompanying notes an integral part of these interim condensed consolidated financial statements

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

1. INFORMATION AND ACTIVITIES

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

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

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

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

2. BASIS OF PREPARATION AND CONSOLIDATION

Basis of preparation

The interim condensed consolidated financial statements are for the Nine months ended 30 September 2020 and are presented in Saudi Riyal (SAR), which is the functional currency of the Parent Company. They have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', endorsed in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all of the information required in the annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

Basis of consolidation

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

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

Certain comparative amounts have been adjusted to conform to the current period presentation, which includes reclassification between property and equipment, net and right of use assets, presented as follow:

	31 December 2019		31 December 2019
	As Reported	Adjustment	Adjusted
Property and equipment, net	498,692,007	(61,827,869)	436,864,138
Right of use assets, net	338,630,383	61,827,869	400,458,252

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION AND CONSOLIDATION (continued)

Basis of consolidation (continued)

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

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

Use of judgments, estimates and significant accounting assumptions

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020 shown below:

Amendments to IAS 1 and IAS 8: Definition of Material

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material does not have a significant impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments to the definition of a business does not have a significant impact on the Group's interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting,
- reinstating prudence as a component of neutrality,
- defining a reporting entity, which may be legal entity, or a portion of an entity,
- revising the definitions of an asset and a liability,
- removing the probability threshold for recognition and adding guidance on derecognition,
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance of faithful representation of the financial statements

No changes will be made to any of the current accounting standards.

4. RIGHT OF USE ASSETS, NET

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

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Balance as at the beginning of the period / year	400,458,252	154,026,446
Additions during the period / year	60,134,921	264,457,053
Disposals during the period / year	(1,775,035)	-
Amortization during the period / year	(23,554,260)	(18,025,247)
	<u>435,263,878</u>	<u>400,458,252</u>

5. PROPERTY AND EQUIPMENT, NET

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Balance as at the beginning of the period / year	436,864,138	745,257,280
Additions during the period / year	30,343,103	59,974,256
Disposal during the period / year	-	(341,983,147)
Depreciation during the period / year	(10,530,583)	(26,384,251)
	<u>456,676,658</u>	<u>436,864,138</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

6. ACCOUNTS RECEIVABLE, NET

Included in receivables are amounts totaling SAR 274 million as of 30 September 2020 (31 December 2019: SAR 240 million) due from government and quasi-government institution in which balance of SAR 115 million due over one year as of 30 September 2020 (31 December 2019: SAR 116 million). The Group's management believes that all not impaired receivables will be collected. The Group does not obtain guarantees against these receivables.

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

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Balance at the beginning of the period / year	41,076,299	20,529,207
Charge for the period / year	13,845,000	21,239,987
Amounts written off during the period / year	-	(692,895)
	<u>54,921,299</u>	<u>41,076,299</u>

7. RELATED PARTIES TRANSACTIONS

Related party	Nature of transactions	30 September 2020 (Unaudited) SAR	30 September 2019 (Unaudited) SAR
Companies owned by directors	Rent as lessee	675,000	675,000
	Rent as lessor	1,024,500	1,024,500

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

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

There are no guarantees from or to the related parties. For the period ended 30 September 2020, the Group has not recorded any impairment loss on amounts due from related parties. Valuation of impairment is performed every financial year by examining the financial position of the related entity and the market in which the entity is involved.

8. SHARE CAPITAL

The Group's capital consists of 45 Million shares as at 30 September 2020 (31 December 2019: 45 Million shares) of SAR 10 each.

9. TERM LOANS

The Group obtained long-term and short-term loans from several local banks to finance the Group's projects and build buildings for educational establishments during the year. The loans are charged a commission equal to the inter-bank lending rate (SAIBOR). All loans are secured by order bonds and the pledge of part of the Group's land to the banks. The agreements also included conditions regarding the Group's commitment to some financial ratios and conditions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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. As the Group has completed, on 15 September 2015, the sale of a newly constructed management building in Al-Ghadeer area in Riyadh, the cost of which is approximately SAR 58.9 million, to Manafe' Holding Company, at a selling price of SAR 75 million, in order to finance the Group's expansion in educational projects. The group then leased back the building for 20 years ending in the year 2034. Gain from the sale transaction, amounting to approximately SAR 16 million, was deferred in accordance with the requirements of the Standard of Accounting for Leases issued by the Saudi Organization for Certified Public Accountants, and will be recognized in subsequent periods in correlation with depreciation as the leaseback was classified as a finance lease. During the year 2016 the rental value of the land for the building was separated and classified as an operating lease (with present value of SAR 48.7 million). In the interim condensed consolidated statement of profit or loss the group recognized an amount of SAR 602,811 as gain from sale of the building (30 September 2019: SAR 602,811).
- 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 SAR 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.
- d) Right of use assets obligations.

The details of lease obligations are as follow:

	Right of use assets SAR
30 September 2020 (Unaudited)	
Non-current	477,474,672
Current	32,911,017
Total	510,385,689
31 December 2019 (Audited)	
Non-current	474,778,157
Current	34,453,841
Total	509,231,998

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

	Right of use assets SAR
2020	38,822,089
2021	38,654,976
2022 and after	399,997,607
Total	477,474,672

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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:

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Balance at the beginning of the period / year	56,013,132	53,965,487
Cost of service and interest included in profit or loss for the period / year	8,473,045	15,897,132
Actuarial loss on remeasurement of end of service benefits for the period / year	-	6,316,000
Paid during the period/year	(8,160,330)	(20,165,487)
	<u>56,325,847</u>	<u>56,013,132</u>

12. EARNING PER SHARE

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

	For the Three months period ended		For the nine months period ended	
	30 September 2020 (Unaudited) SAR	30 September 2019 (Unaudited) SAR	30 September 2020 (Unaudited) SAR	30 September 2019 (Unaudited) SAR
Net profit for the period	6,533,493	13,134,793	15,586,017	16,870,773
Weighted average number of ordinary shares	45,000,000	45,000,000	45,000,000	45,000,000
Earnings per share	<u>0.15</u>	<u>0.29</u>	<u>0.35</u>	<u>0.37</u>

13. SEGMENT INFORMATION

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

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

The Group is organized into following main business segments:

1- Computer

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

2- Language

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

13. SEGMENT INFORMATION (CONTINUED)

3- Educational projects

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

4- Financial and management training

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

5- Communication centers

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

6- Schools

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

	<i>Computer</i>	<i>Language</i>	<i>Financial and</i>	<i>Communication</i>	<i>Educational</i>	<i>Schools</i>	<i>Total</i>
	<i>SAR</i>	<i>SAR</i>	<i>management</i>	<i>center</i>	<i>projects</i>	<i>SAR</i>	<i>SAR</i>
			<i>training</i>				
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Nine month period ended							
30 September 2020 (Unaudited)							
Revenues	63,054,991	26,742,247	44,847,893	274,345,661	68,072,905	102,261,907	579,325,604
Depreciation	7,577,393	4,080,135	1,466,281	7,401,940	83,128	15,359,554	35,968,431
Profit before zakat and income tax	7,150,962	(4,515,421)	(2,156,042)	11,418,465	2,112,630	2,515,250	16,525,844
Total assets	260,477,161	140,256,933	60,501,252	336,091,860	58,117,913	868,474,994	1,723,920,113
Total liabilities	25,721,787	13,850,193	55,780,077	78,773,073	55,065,265	848,124,270	1,077,314,665
Capital expenditure	3,785,925	2,846,950	189,243	10,645,864	185,200	12,846,746	30,499,928
Nine month period ended							
30 September 2019 (Unaudited)							
Revenues	88,289,033	48,479,078	55,334,600	271,172,433	66,581,297	94,352,256	624,208,697
Depreciation	4,000,904	2,154,333	1,535,356	3,587,931	120,602	9,941,838	21,340,964
Profit before zakat and income tax	8,687,864	763,368	2,192,371	12,501,413	1,395,590	(4,650,398)	20,890,208
Total assets	241,085,220	124,195,416	67,225,319	354,117,461	34,842,445	659,046,497	1,480,512,358
Total liabilities	41,663,938	21,463,241	46,851,113	103,723,305	33,468,835	657,701,529	904,871,961
Capital expenditure	8,261,689	4,448,602	614,250	15,148,671	400,987	15,576,189	44,450,388

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

14. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>30 September 2020 (Unaudited)</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
Financial assets				
Investment in equity instruments at fair value through other comprehensive income	271,966,288	14,004,000	-	285,970,288
Cash and cash equivalent	32,498,061	-	-	32,498,061
Accounts receivable, net	310,448,255	-	-	310,448,255
Unbilled revenues	46,669,690	-	-	46,669,690
Financial liabilities				
Non-current portion of long term loans	160,000,000	-	-	160,000,000
Non-current portion of lease obligations	477,474,672	-	-	477,474,672
Banks overdraft	5,095,222	-	-	5,095,222
Short-term loans	243,793,139	-	-	243,793,139
Current portion of lease obligations	32,911,017	-	-	32,911,017
Trade payables	15,469,711	-	-	15,469,711

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

14. FINANCIAL INSTRUMENTS (Continued)

31 December 2019 (Audited)

Financial assets

Investment in equity instruments at fair value through other comprehensive income	255,067,412	14,004,000	-	269,071,412
Cash and cash equivalent	181,967,462	-	-	181,967,462
Accounts receivable, net	286,170,469	-	-	286,170,469
Unbilled revenues	22,687,655	-	-	22,687,655

Financial liabilities

Non-current portion of long term loans	98,544,584	-	-	98,544,584
Non-current portion of lease obligations	474,778,157	-	-	474,778,157
Banks overdraft	3,561,090	-	-	3,561,090
Short-term loans	324,993,901	-	-	324,993,901
Current portion of long-term loans	24,584,414	-	-	24,584,414
Current portion of lease obligations	34,453,841	-	-	34,453,841
Trade payables	23,397,048	-	-	23,397,048

15. GENERAL ASSEMBLY RESOLUTIONS

The general assembly has agreed on the following recommendations of the board of directors in its meeting held on 12 Ramadan 1441H (corresponding to 5 May 2020) to:

- Distribute cash dividends related to the year ended 31 December 2019 amounting to SAR 11,250,000 (SAR 0.25 per share).
- Award bonus to the board members with total amount of SAR 900,000 for the year ended 31 December 2019.

16. THE EFFECTS OF THE NEW COVID 19 EPIDEMIC

The Group assesses the effects of the new epidemic of COVID 19, which may adversely affect its financial position, operating results and cash flows, by preparing a study to measure the potential impact on the economic value of the group, while measuring any decrease in the value of the assets and measuring any contingent liabilities, according to the criteria of International Financial Reporting Standards for future periods, as the impact cannot be reasonably estimated in light of the uncertainty in the interim condensed consolidated financial statements for the nine months ended 30 September 2020.

The Group will continue to monitor the current situation and provide preventive provisions, if required, in anticipation of any potential risks.

The Group has taken into consideration the potential effects of the current economic fluctuations when determining the carrying amounts of its financial and non-financial assets as of 30 September 2020.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors have approved the interim condensed consolidated financial statements on 22 Rabi Al-Awwal 1442H (8 November 2020).