

**Maharah for Human Resources Company and its Subsidiaries  
(A Saudi Joint Stock Company)**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2019

**Maharah for Human Resources Company and its Subsidiaries**  
**(A Saudi Joint Stock Company)**  
**Interim Condensed Consolidated Financial Statements**  
**30 September 2019**

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY  
(A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Maharah for Human Resources Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (together with the Company, referred to as the "Group") as at 30 September 2019, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2019, and the related interim condensed consolidated 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 (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Yousef A. AlMubarak  
Certified Public Accountant  
License No. 427

Riyadh: 1 Rabi Awal 1441H  
(29 October 2019)



**Maharah for Human Resources Company and its Subsidiaries**  
**(A Saudi Joint Stock Company)**  
**Interim condensed consolidated statement of financial position**  
**As at 30 September 2019**

	Note	30 September 2019 SR	31 December 2018 SR
<b>Assets</b>			
<b>Current assets</b>			
Cash and bank balances		247,423,435	81,693,843
Murabaha time deposits		110,000,000	274,000,000
Accounts receivable	5	231,775,987	148,944,347
Contract assets	5	39,062,092	35,787,201
Prepayments and other current assets		232,426,749	143,015,162
Available visas		28,428,000	29,394,000
<b>Total current assets</b>		<b>889,116,263</b>	<b>712,834,553</b>
<b>Non-current assets</b>			
Property and equipment		173,315,671	167,930,223
Right-of-use assets	4	40,366,572	-
Intangible assets – Goodwill		4,450,237	4,450,237
Other intangible assets		3,843,924	5,172,137
Equity investments at fair value through profit or loss (“FVTPL”)		32,678,134	31,991,284
Investment in an associate		16,967,464	18,639,605
Other non-current assets	6	11,191,833	-
<b>Total non-current assets</b>		<b>282,813,835</b>	<b>228,183,486</b>
<b>Total assets</b>		<b>1,171,930,098</b>	<b>941,018,039</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable, accruals and others		220,637,526	236,139,472
Contract liabilities		97,098,743	91,096,897
Retained deposits		131,497,152	137,035,965
Dividends payable	11	100,125,000	-
Zakat payable		14,760,712	12,073,729
<b>Total current liabilities</b>		<b>564,119,133</b>	<b>476,346,063</b>
<b>Non-current liabilities</b>			
Lease liabilities – non-current	4	30,797,165	-
Employees’ end-of-service benefits	8	48,396,667	35,253,000
<b>Total non-current liabilities</b>		<b>79,193,832</b>	<b>35,253,000</b>
<b>Total liabilities</b>		<b>643,312,965</b>	<b>511,599,063</b>
<b>Equity</b>			
Share capital	10	375,000,000	375,000,000
Statutory reserve		22,572,306	22,572,306
Other reserves		2,477,815	6,914,664
Retained earnings		132,033,388	26,026,014
<b>Equity attributable to the Shareholders of the Parent Company</b>		<b>532,083,509</b>	<b>430,512,984</b>
Non-controlling interests		(3,466,376)	(1,094,008)
<b>Total equity</b>		<b>528,617,133</b>	<b>429,418,976</b>
<b>Total liabilities and equity</b>		<b>1,171,930,098</b>	<b>941,018,039</b>

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**Maharah for Human Resources Company and its Subsidiaries**  
**(A Saudi Joint Stock Company)**  
**Interim condensed consolidated statement of income**  
**For the three-month and nine-month periods ended 30 September 2019**

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2019	2018	2019	2018
		SR	SR	SR	SR
Revenue		386,372,021	343,903,706	1,126,471,824	1,008,803,674
Cost of revenue		(280,103,847)	(261,416,285)	(853,503,777)	(786,549,360)
<b>Gross profit</b>		<b>106,268,174</b>	<b>82,487,421</b>	<b>272,968,047</b>	<b>222,254,314</b>
General and administration expenses		(17,275,082)	(12,128,257)	(48,364,406)	(43,660,114)
Marketing expenses		(1,887,677)	(768,835)	(5,875,227)	(4,498,456)
Provision for doubtful debts	5	(5,828,862)	(659,495)	(10,370,473)	(636,321)
<b>Income from main operations</b>		<b>81,276,553</b>	<b>68,930,834</b>	<b>208,357,941</b>	<b>173,459,423</b>
Other income		3,173,906	1,980,159	10,062,040	10,742,021
Share in net loss of an associate		(832,645)	-	(1,672,141)	-
Net gain on equity investments at FVTPL		224,334	198,005	686,850	514,552
<b>Income before zakat</b>		<b>83,842,148</b>	<b>71,108,998</b>	<b>217,434,690</b>	<b>184,715,996</b>
Zakat		(4,855,341)	(1,412,588)	(13,674,684)	(9,212,761)
<b>Net income for the period</b>		<b>78,986,807</b>	<b>69,696,410</b>	<b>203,760,006</b>	<b>175,503,235</b>
<b>Net income (loss) for the period attributable to:</b>					
Shareholders of the Parent Company		80,126,438	69,345,656	206,132,374	174,954,867
Non-controlling interests		(1,139,631)	350,754	(2,372,368)	548,368
		<b>78,986,807</b>	<b>69,696,410</b>	<b>203,760,006</b>	<b>175,503,235</b>
<b>Basic and diluted earnings per share:</b>	12				
Income from main operations per share attributable to Shareholders of the Parent Company		2.17	1.84	5.56	4.63
Net income per share attributable to Shareholders of the Parent Company		2.14	1.85	5.50	4.67

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**Maharah for Human Resources Company and its Subsidiaries**  
**(A Saudi Joint Stock Company)**  
**Interim condensed consolidated statement of comprehensive income**  
**For the three-month and nine-month periods ended 30 September 2019**

	For the three-month period		For the nine-month period	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Note	SR	SR	SR	SR
Net income for the period	78,986,807	69,696,410	203,760,006	175,503,235
<b>Other comprehensive (loss) income:</b>				
<i>Item that will be reclassified to consolidated statement of income:</i>				
Cumulative currency translation gain (loss)	-	(322)	151	(348)
<i>Item that will not be reclassified to consolidated statement of income:</i>				
Re-measurements of employees' end-of-service benefits	8	(1,721,705)	-	3,685,000
<b>Other comprehensive (loss) income for the period</b>		(1,721,705)	(322)	3,684,652
<b>Total comprehensive income for the period</b>		<b>77,265,102</b>	<b>69,696,088</b>	<b>199,323,157</b>
<b>Total comprehensive income (loss) for the period attributable to:</b>				
Shareholders of the Parent Company		78,404,733	69,345,334	201,695,525
Non-controlling interests		(1,139,631)	350,754	548,368
		<b>77,265,102</b>	<b>69,696,088</b>	<b>199,323,157</b>

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**Maharah for Human Resources Company and its Subsidiaries**  
**(A Saudi Joint Stock Company)**  
**Interim condensed consolidated statement of changes in equity**  
**For the nine-month period ended 30 September 2019**

	Attributable to Shareholders of the Parent Company						
	Share Capital	Statutory reserve	Other reserves	Retained earnings (accumulated losses)	Total	Non-controlling interests	Total equity
	SR	SR	SR	SR	SR	SR	SR
Balance as at 1 January 2018	250,000,000	20,347,320	3,903,318	(9,998,855)	264,251,783	(1,738)	264,250,045
Net income for the period	-	-	-	174,954,867	174,954,867	548,368	175,503,235
Other comprehensive income for the period	-	-	3,684,652	-	3,684,652	-	3,684,652
Total comprehensive income for the period	-	-	3,684,652	174,954,867	178,639,519	548,368	179,187,887
Acquisition of partially-owned subsidiary	-	-	-	-	-	598,624	598,624
Balance as at 30 September 2018	250,000,000	20,347,320	7,587,970	164,956,012	442,891,302	1,145,254	444,036,556
Balance as at 1 January 2019	375,000,000	22,572,306	6,914,664	26,026,014	430,512,984	(1,094,008)	429,418,976
Net income (loss) for the period	-	-	-	206,132,374	206,132,374	(2,372,368)	203,760,006
Other comprehensive loss for the period	-	-	(4,436,849)	-	(4,436,849)	-	(4,436,849)
Total comprehensive income (loss) for the period	-	-	(4,436,849)	206,132,374	201,695,525	(2,372,368)	199,323,157
Interim dividends (note 11)	-	-	-	(100,125,000)	(100,125,000)	-	(100,125,000)
Balance as at 30 September 2019	375,000,000	22,572,306	2,477,815	132,033,388	532,083,509	(3,466,376)	528,617,133

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**Maharah for Human Resources Company and its Subsidiaries**  
**(A Saudi Joint Stock Company)**  
**Interim condensed consolidated statement of cash flows**  
**For the nine-month period ended 30 September 2019**

	Note	For the nine-month period ended 30 September	
		2019 SR	2018 SR
<b>Operating activities</b>			
Income before zakat		217,434,690	184,715,996
Adjustments:			
Provision for employees' end-of-service benefits	8	18,247,345	14,165,000
Provision for doubtful debts	5	10,370,473	636,321
Depreciation of property and equipment		7,915,296	6,927,306
Depreciation of right-of-use assets	4	6,603,440	-
Amortization of intangible assets		1,653,947	1,423,299
Share in net loss of an associate		1,672,141	-
Net gain on equity investments at FVTPL		(686,850)	(514,552)
Finance costs on lease liabilities	4	(907,028)	-
Earnings from Murabaha time deposits		(5,260,142)	(3,228,213)
Reversal of accrued salaries no longer payable		(5,487,382)	(7,527,582)
		<u>251,555,930</u>	<u>196,597,575</u>
Changes in working capital:			
Accounts receivable		(94,032,064)	(53,581,469)
Contract assets		(2,444,940)	(10,212,487)
Prepayments and other current assets		(87,727,569)	(63,069,720)
Available visas		966,000	(9,240,000)
Other non-current assets		(11,191,833)	-
Accounts payable, accruals and others		(21,034,208)	49,216,610
Contract liabilities		6,001,846	(3,914,494)
Retained deposits		(5,538,813)	3,949,652
<b>Cash generated from operations</b>		<u>36,554,349</u>	<u>109,745,667</u>
Zakat paid		(10,987,701)	(8,364,527)
Employees' end-of-service benefits paid	8	(9,540,678)	(9,271,000)
<b>Net cash from operating activities</b>		<u>16,025,970</u>	<u>92,110,140</u>
<b>Investing activities</b>			
Movements in Murabaha time deposits, net		169,260,142	(269,271,787)
Acquisition of subsidiaries		-	(11,304,610)
Non-controlling interests		-	3,089,342
Additions to intangible assets		(325,734)	-
Purchase of property and equipment		(13,300,744)	(62,851,289)
<b>Net cash from (used in) investing activities</b>		<u>155,633,664</u>	<u>(340,338,344)</u>
<b>Financing activities</b>			
Payment of lease liabilities	4	(5,930,042)	-
<b>Cash used in financing activities</b>		<u>(5,930,042)</u>	<u>-</u>
<b>Net increase (decrease) in cash and bank balances</b>		<u>165,729,592</u>	<u>(248,228,204)</u>
Cash and bank balances at beginning of the period		81,693,843	342,221,524
<b>Cash and bank balances at end of the period</b>		<u>247,423,435</u>	<u>93,993,320</u>
<b>Supplemental non-cash information</b>			
- Right-of-use assets		46,970,012	-
- Lease liabilities		46,229,997	-
- Interim dividends declared	11	100,125,000	-

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.



## **1 Corporate information and activities**

Maharah for Human Resources Company (the "Company" or "Parent Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia ("KSA") under commercial registration numbered 1010364538 and dated 7 Rabi Thani 1434H (corresponding to 17 February 2013). The registered office is located at Al Olaya Road, Al Yasmeen District, Riyadh, KSA.

The Company and its subsidiaries (collectively the "Group") are engaged in providing recruitment services for public and private sectors.

The interim condensed consolidated financial statements were authorized for issue with the resolution of the Board of Directors on 1 Rabi Awal 1441H (corresponding to 29 October 2019).

## **2 Basis of preparation**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS"), "Interim Financial Reporting" ("IAS 34") as endorsed in KSA and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of annual consolidated financial statements and therefore, should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

An interim period is considered an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

Certain prior periods' figures have been reclassified to conform to the current period's presentation.

### Basis of measurement and functional currency

These interim condensed consolidated financial statements are prepared under the historical cost convention except for measurement of equity investments at FVTPL. These interim condensed consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the functional currency of the Parent Company.

## **3 Summary of significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of International Financial Reporting Standard 16 'Leases' ("IFRS 16") at its effective date 1 January 2019 and capitalization certain employee costs from 1 July 2019 as explained below:

IFRS 16 replaces IAS 17 'Leases' ("IAS 17"), IFRIC 4 'Whether an arrangement contains a lease' ("IFRIC 4"), SIC-15 'Operating leases - Incentives' and SIC-27 'Evaluating the substance of transactions involving the legal form of a lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Visas are transferred from 'available visas' to 'used visas' and are amortized in the interim condensed consolidated statement of income under cost of revenue on a straight-line basis over two years, in line with the employment contract period. Recruitment costs represent the amount paid to recruitment agencies in connection with services obtained. Previously, used visas and recruitment costs were immediately recognized as expenses when incurred as the said costs did not meet the criteria of recognizing asset under the conceptual framework. However, effective 1 July 2019, the Group included certain provisions in the employment contracts which demonstrated the recoverability of the said costs and accordingly capitalized the costs as asset. This treatment is considered as an application of new accounting policy (note 4).

The Group has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective.

## **4 Changes to significant accounting policies**

### **IFRS 16, Leases**

The Group has adopted IFRS 16 from its mandatory adoption date 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives have not been restated. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value assets').

4 Changes to significant accounting policies (continued)

IFRS 16, Leases (continued)

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

	SR
<b>Assets</b>	
Right-of-use assets	33,191,405
Prepayments and other current assets	(1,647,043)
<b>Total assets</b>	<b>31,544,362</b>
<b>Liabilities</b>	
Lease liabilities – non-current	25,157,078
Accounts payable, accruals and others (*)	6,387,284
<b>Total liabilities</b>	<b>31,544,362</b>

(\*) current portion of lease liabilities is included under accounts payable, accruals and others.

On adoption of IFRS 16, the Group has recognised lease liabilities and associated right-of-use assets in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The associated right-of-use assets are measured at the amount equal to the lease liabilities, adjusted by the amount of prepayments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranges from 3.12% - 3.70%.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Restoration costs for most the leases were considered to be negligible, except where reasonable information was available to assess and include such costs in determining lease liabilities
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The following table shows reconciliation of operating lease commitments under IAS 17 to lease liabilities under IFRS 16 as at 1 January 2019:

	SR
Operating lease commitments as at 31 December 2018	25,330,843
(Less): Commitments relating to short-term and low-value assets	(391,800)
	24,939,043
Discounted using the Group's incremental borrowing rate	23,359,652
Add: contracts reassessed with optional extension periods not recognised as at 31 December 2018	8,184,710
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>31,544,362</b>

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognized in the interim condensed consolidated statement of income over the lease term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

4 Changes to significant accounting policies (continued)

IFRS 16, Leases (continued)

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the nine-month period ended 30 September 2019:

	Right-of-use assets SR	Lease liabilities (*) SR
As at 1 January 2019	33,191,405	31,544,362
Additions	13,778,607	13,778,607
Depreciation	(6,603,440)	-
Finance costs	-	907,028
Payments	-	(5,930,042)
<b>As at 30 September 2019</b>	<b>40,366,572</b>	<b>40,299,955</b>

(\*) As at 30 September 2019, non-current portion of lease liabilities amounted to SR 30.8 million (current portion amounting to SR 9.5 million were included in accounts payable, accruals and others).

*Summary of new accounting policies*

Right-of-use assets

Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs; if applicable.

Lease liabilities

Lease liabilities include, if applicable, the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Low-value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Used visas and recruitment costs

Visas are transferred from 'available visas' to 'used visas' and are amortized in the interim condensed consolidated statement of income under cost of revenue on a straight-line basis over two years, in line with the employment contract period. The amount of unamortized balance of used visas are written off directly in the interim condensed consolidated statement of income in case of termination of the contract or occurrence of anything that prevents the continuation of the service.

Recruitment costs represent the amount paid to recruitment agencies in connection with services obtained. These costs are amortised at the time of visa activation in the interim condensed consolidated statement of income over two years in line with the employment contract period.

Used visas and recruitment costs are classified as current assets if they are expected to be used within one year from the date of the interim condensed consolidated statement of financial position. Otherwise, these are presented as non-current assets.

4 Changes to significant accounting policies (continued)

Summary of new accounting policies (continued)

Significant judgement in determining the lease term of contracts with extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

5 Accounts receivable and contract assets

Accounts receivable

	30 September 2019 SR	31 December 2018 SR
Accounts receivable	287,650,710	193,500,427
Less: provision for doubtful debts	(55,874,723)	(44,556,080)
<b>Total</b>	<b>231,775,987</b>	<b>148,944,347</b>

Movement in the provision for doubtful accounts receivable is shown below:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2019 SR	2018 SR	2019 SR	2018 SR
At the beginning of the period	49,959,335	34,616,701	44,556,080	34,411,684
Charge (reversal) for the period	5,915,388	(97,561)	11,318,643	107,456
<b>At the end of the period</b>	<b>55,874,723</b>	<b>34,519,140</b>	<b>55,874,723</b>	<b>34,519,140</b>

The ageing of unimpaired accounts receivable is shown below:

	Total SR	Neither past due nor impaired SR	Past due but not impaired		
			< 90 days SR	90 – 180 days SR	> 180 Days SR
30 September 2019	231,775,987	32,606,036	178,536,021	5,467,582	15,166,348
31 December 2018	148,944,347	16,196,604	122,909,343	4,117,284	5,721,116

Contract assets

Contract assets primarily related to the Group's right to consideration for services delivered but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

	30 September 2019 SR	31 December 2018 SR
Contract assets	39,862,433	37,535,712
Less: provision for doubtful debts	(800,341)	(1,748,511)
<b>Total</b>	<b>39,062,092</b>	<b>35,787,201</b>

5 Accounts receivable and contract assets (continued)

Contract assets (continued)

Movement in the provision for doubtful contract assets is shown below:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2019 SR	2018 SR	2019 SR	2018 SR
At the beginning of the period	886,867	991,455	1,748,511	1,219,646
Reversal (charge) for the period	(86,526)	757,056	(948,170)	528,865
At the end of the period	800,341	1,748,511	800,341	1,748,511

6 Used visas and recruitment costs

	30 September 2019 SR	31 December 2018 SR
Recruitment costs	15,430,819	-
Used visas	10,267,223	-
	25,698,042	-

As at 30 September 2019, non-current portion of used visas and recruitment costs amounted to SR 11.2 million (current portion amounting to SR 14.5 million were included in prepayments and other current assets).

7 Related party transactions and balances

The remuneration of directors and other key management personnel for the period are as follows:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2019 SR	2018 SR	2019 SR	2018 SR
Salaries and short-term benefits	3,801,578	3,802,107	10,841,663	6,633,439
End-of-service benefits	326,266	281,703	559,924	394,406
Total key management compensation	4,127,844	4,083,810	11,401,587	7,027,845

Maharah for Human Resources Company and its Subsidiaries  
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7 Related party transactions and balances (continued)

During the period, the Group transacted with its related parties. The terms of those transactions are approved by management in the ordinary course of business. The key transactions and related balances for the period are as follows:

Related party	Relationship	Nature of transactions	Transactions		Balances	
			For the nine-month period ended 30 September		30 September 2019	31 December 2018
			2019	2018	SR	SR
<u>Amounts due from related parties</u>						
Spectra Support Services	Affiliate	Manpower services	45,904,058	53,257,408		
		Collections	34,149,458	48,845,687	21,842,837	10,088,237
Maharah Holding Company	Affiliate	Collection	4,080,150	-	-	4,080,150
Key management personnel	Key management personnel	Settlement	1,207,951	-	2,017,823	3,142,441
	Affiliate	Manpower services	5,638,445	2,822,258		
		Collections	5,257,466	3,774,831	1,028,196	647,216
Al Safi Danone Co. Ltd.	Affiliate	Manpower services	10,450,141	9,271,724		
Others		Collections	10,544,763	7,850,136	1,195,470	1,290,092
		Less: provision for doubtful debits			26,084,326	19,248,136
					(567,364)	(560,181)
					<u>25,516,962</u>	<u>18,687,955</u>

Maharah for Human Resources Company and its Subsidiaries  
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7 Related party transactions and balances (continued)

Related party	Relationship	Nature of transactions	Transactions		Balances	
			For the nine-month period ended 30 September		30 September 2019	31 December 2018
			2019	2018	SR	SR
<u>Amounts due to related parties</u>						
Bloovo Ltd.	Associate	Deferred consideration payment (*)	3,750,000	-	9,380,600	13,130,600
Directors	BOD	Remuneration	1,500,000	1,018,340		
		Payments	2,400,000	518,340	1,114,944	2,014,944
Maharah Travel and Tourism Company	Affiliate	Purchase of air tickets	14,896,045	10,422,221		
		Payments	15,727,552	10,944,990	197,915	1,029,422
					<u>10,693,459</u>	<u>16,174,966</u>

(\*) A deferred consideration related to acquisition of investment in an associate amounting to SR 13.1 million shall be paid by the Group within 18 months from 19 November 2018, the effective date of acquisition of the associate, and is subject to conditions on whether the associate will be able to meet the business plan agreed by both parties which include cash flow forecasts. In July 2019, the Group paid its associate SR 3.75 million in relation to the deferred consideration.

Amounts due from / to related parties are included in "Accounts receivable" and "Accounts payable, accruals and others", respectively, except for amounts due from key management personnel which are included in "Prepayments and other current assets".

## 8 Employees' end-of-service benefits

The following table represents the movement in the defined benefits obligation ("DBO") for the period:

	For the nine-month period ended 30 September	
	2019 SR	2018 SR
Opening balance	35,253,000	35,942,000
Current service cost	17,599,345	13,682,000
Interest cost	648,000	483,000
<b>Amount recognized in the interim condensed consolidated statement of income</b>	<b>18,247,345</b>	<b>14,165,000</b>
Financial assumptions	1,655,000	-
Demographic assumptions	2,143,000	-
Experience gains	639,000	(3,685,000)
<b>Amount recognized in the interim condensed consolidated statement of comprehensive income</b>	<b>4,437,000</b>	<b>(3,685,000)</b>
Benefits paid during the period	(9,540,678)	(9,271,000)
<b>Closing balance</b>	<b>48,396,667</b>	<b>37,151,000</b>

### Significant actuarial assumptions

The significant actuarial assumptions used in the DBO computation:

	30 September 2019	30 September 2018
Gross discount rate	3.40%	3.80%
Salary growth rate	Staff 5.00% Workers 0%	All employees 4.50%
Withdrawal rate	Staff 5% Workers 15%	All employees 50%
Retirement age	55-60	55-60

## 9 Zakat

### Status of assessments

On 9 May 2019, the Company received zakat assessments from the General Authority of Zakat and Tax (the "GAZT") for the years 2014 to 2017 with additional zakat liability of approximately SR 25.0 million. The management believes that the additional zakat liability pertaining to the zakat assessments received is substantially inaccurate as certain items included in zakat base calculation of GAZT have already been considered by the Company in the zakat calculation of the said periods. Hence, the Company has submitted its appeal which is still under review by GAZT as at 30 September 2019.

## 10 Share capital

Authorized and issued share capital is divided into 37.5 million shares (31 December 2018: 37.5 million shares) of SR 10 each.

The following are the major shareholders of the Group as of 30 September 2019 and 31 December 2018:

Name	Place of incorporation/residence	Ownership %	
		30 September 2019	31 December 2018
Alahlia International Real Estate Investment Company	KSA	19.4%	28.0%
Architectural Experience Company	KSA	16.0%	23.0%
Al Faisaliah Group Holding Company	KSA	14.0%	20.0%
Dr Abdullah Bin Sulaiman Alamro	KSA	12.2%	17.0%
Dr Sulaiman Alhabib Trading Commercial Investment Company	KSA	7.0%	10.0%
Other	KSA	31.4%	2.0%



## 10 Share capital (continued)

On 18 June 2019, the shareholders of the Company sold 30% of the shares through an Initial Public Offering ("IPO") and upon successful listing process, the said shares are part of trading in Saudi Stock Exchange "Tadawul".

In the extraordinary general assembly meeting held on 5 Rabi Thani 1440H (corresponding to 12 December 2018) the shareholders resolved to increase the share capital to SR 375 million by transferring SR 105 million and SR 20 million from retained earnings and statutory reserve, respectively to proposed capital increase account. The legal formalities required to enforce the increase of the share capital were completed during the year ended 31 December 2018.

## 11 Dividends

The Company's Board of Directors, in their meeting held on 16 Muharram 1441H (corresponding to 15 September 2019), resolved to declare interim dividends for the last quarter of 2018 and first half of 2019 amounting to SR 100.1 million (SR 2.67 per share) which was paid on 17 Safar 1441H (corresponding to 16 October 2019). The Board of Directors will present it to the shareholders in the upcoming Annual General meeting. The dividend declared has been recognised in the interim condensed consolidated financial statements for the period ended 30 September 2019.

## 12 Earnings per share

Basic earnings per share attributable to the shareholders of the Parent Company is calculated based on the weighted average number of outstanding shares during the period.

Diluted earnings per share is calculated by adjusting the basic earnings per share for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2019	2018	2019	2018
Income from main operations for the period (SR)	81,276,553	68,930,834	208,357,941	173,459,423
Net income attributable to Shareholders of the Parent Company (SR)	80,126,438	69,345,656	206,132,374	174,954,867
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (note 10)	37,500,000	37,500,000	37,500,000	37,500,000
Basic and diluted earnings per share of income from main operations for the period (SR)	2.17	1.84	5.56	4.63
Basic and diluted earnings per share of net income attributable to Shareholders of the Parent Company (SR)	2.14	1.85	5.50	4.67

There has been no item of dilution affecting the weighted average number of ordinary shares.

## 13 Segment information

The Group is organized into corporate and individual business segments.

The segments' financial details are shown below:

<u>For the three-month period ended 30 September 2019</u>	Corporate SR	Individual SR	Total SR
Revenue	283,462,656	102,909,365	386,372,021
Cost of revenue	(215,346,813)	(64,757,034)	(280,103,847)
Gross profit	68,115,843	38,152,331	106,268,174
General and administration expenses	(10,438,035)	(6,837,047)	(17,275,082)
Marketing expenses	(866,286)	(1,021,391)	(1,887,677)
Provision for doubtful debts	(5,156,407)	(672,455)	(5,828,862)
Income from main operations	51,655,115	29,621,438	81,276,553

13 Segment information (continued)

<i>For the three-month period ended 30 September 2018</i>	Corporate SR	Individual SR	Total SR
Revenue	245,306,952	98,596,754	343,903,706
Cost of revenue	(189,196,124)	(72,220,161)	(261,416,285)
Gross profit	56,110,828	26,376,593	82,487,421
General and administration expenses	(9,393,380)	(2,734,877)	(12,128,257)
Marketing expenses	(551,675)	(217,160)	(768,835)
Provision for doubtful debts	(659,495)	-	(659,495)
Income from main operations	45,506,278	23,424,556	68,930,834

<i>For the nine-month period ended 30 September 2019</i>	Corporate SR	Individual SR	Total SR
Revenue	821,576,429	304,895,395	1,126,471,824
Cost of revenue	(642,322,000)	(211,181,777)	(853,503,777)
Gross profit	179,254,429	93,713,618	272,968,047
General and administration expenses	(28,901,481)	(19,462,925)	(48,364,406)
Marketing expenses	(3,765,565)	(2,109,662)	(5,875,227)
Provision for doubtful debts	(4,779,355)	(5,591,118)	(10,370,473)
Income from main operations	141,808,028	66,549,913	208,357,941

<i>For the nine-month period ended 30 September 2018</i>	Corporate SR	Individual SR	Total SR
Revenue	716,743,703	292,059,971	1,008,803,674
Cost of revenue	(558,834,504)	(227,714,856)	(786,549,360)
Gross profit	157,909,199	64,345,115	222,254,314
General and administration expenses	(31,020,022)	(12,640,092)	(43,660,114)
Marketing expenses	(3,196,103)	(1,302,353)	(4,498,456)
Provision for doubtful debts	(636,321)	-	(636,321)
Income from main operations	123,056,753	50,402,670	173,459,423

It is impracticable to disclose information pertaining to net book value of property and equipment, total assets and total liabilities pertaining to these segments.

The primary markets for the Group's products are KSA and United Arab Emirates ("UAE"). Following is the geographical segment analysis of the Group:

<i>For the three-month period ended 30 September 2019</i>	KSA SR	UAE SR	Total SR
Revenue	378,774,770	7,597,251	386,372,021
Cost of revenue	(273,152,836)	(6,951,011)	(280,103,847)
Gross profit	105,621,934	646,240	106,268,174
General and administration expenses	(14,352,054)	(2,923,028)	(17,275,082)
Marketing expenses	(1,762,598)	(125,079)	(1,887,677)
Provision for doubtful debts	(5,156,407)	(672,455)	(5,828,862)
Income (loss) from main operations	84,350,875	(3,074,322)	81,276,553

<i>For the three-month period ended 30 September 2018</i>	KSA SR	UAE SR	Total SR
Revenue	336,052,687	7,851,019	343,903,706
Cost of revenue	(254,480,567)	(6,935,718)	(261,416,285)
Gross profit	81,572,120	915,301	82,487,421
General and administration expenses	(10,157,947)	(1,970,310)	(12,128,257)
Marketing expenses	(768,835)	-	(768,835)
Provision for doubtful debts	(659,495)	-	(659,495)
Income (loss) from main operations	69,985,843	(1,055,009)	68,930,834

**13 Segment information (continued)**

<u>For the nine-month period ended</u> <u>30 September 2019</u>	KSA SR	UAE SR	Total SR
Revenue	1,095,454,729	31,017,095	1,126,471,824
Cost of revenue	(831,568,027)	(21,935,750)	(853,503,777)
Gross profit	263,886,702	9,081,345	272,968,047
General and administration expenses	(39,745,927)	(8,618,479)	(48,364,406)
Marketing expenses	(5,158,308)	(716,919)	(5,875,227)
Provision for doubtful debts	(4,779,355)	(5,591,118)	(10,370,473)
Income (loss) from main operations	214,203,112	(5,845,171)	208,357,941
<u>For the nine-month period ended</u> <u>30 September 2018</u>	KSA SR	UAE SR	Total SR
Revenue	986,702,709	22,100,965	1,008,803,674
Cost of revenue	(770,598,451)	(15,950,909)	(786,549,360)
Gross profit	216,104,258	6,150,056	222,254,314
General and administration expenses	(38,640,664)	(5,019,450)	(43,660,114)
Marketing expenses	(4,498,456)	-	(4,498,456)
Provision for doubtful debts	(636,321)	-	(636,321)
Income from main operations	172,328,817	1,130,606	173,459,423
<u>As at 30 September 2019</u>	KSA SR	UAE SR	Total SR
Net book value of property and equipment	167,584,102	5,731,569	173,315,671
Total assets	1,125,073,410	46,856,688	1,171,930,098
Total liabilities	618,403,582	24,909,383	643,312,965
<u>As at 31 December 2018</u>	KSA SR	UAE SR	Total SR
Net book value of property and equipment	161,508,762	6,421,461	167,930,223
Total assets	908,806,876	32,211,163	941,018,039
Total liabilities	507,734,960	3,864,103	511,599,063

**14 Contingent liabilities**

The Group's bankers have issued, on its behalf, guarantees amounting to SR 37.4 million (31 December 2018; SR 10 million) in respect of contract performance, in the normal course of business.

**15 Events subsequent to the reporting date**

No events have occurred subsequent to the balance sheet date which requires adjustment to, or disclosure, in these interim condensed consolidated financial statements.