

**AL KHALEEF TRAINING AND  
EDUCATION COMPANY AND ITS  
SUBSIDIARIES  
(A Saudi Joint Stock Company)  
INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
AND REVIEW REPORT  
FOR THE SIX MONTH PERIOD ENDED  
30 JUNE 2018**

AL KHALEEF TRAINING AND EDUCATION COMPANY  
A SAUDI JOINT STOCK COMPANY

THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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**Independent auditors' review report**  
**To the shareholders of Al Khaleej Training and Education Company and its Subsidiaries**  
**(A Saudi Joint Stock Company)**  
**Riyadh, Kingdom of Saudi Arabia**

**Introduction:**

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Al Khaleej Training and Education Company (A Saudi Joint Stock Company)** (the "**Company**") and its **Subsidiaries** (collectively referred to as the "**Group**") as at 30 June 2018 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of other comprehensive income for three-month and six-month periods ended 30 June 2018 and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-months period then ended, and the related notes from (1) to (17) which form an integral part of these interim condensed consolidated financial information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

**Scope of review:**

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

**Conclusion:**

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

Riyadh: 20 Dhul Qa'adah 1439H  
Corresponding to 2 August 2018G




**Aldar Audit Bureau**  
**Abdullah Al Basri & Co.**

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


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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Notes	30 June 2018 SAR (Unaudited)	31 December 2017 SAR (Audited) (Restated note 16)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment, net	4	798,488,646	792,718,977
Intangible assets, net		40,068,675	38,713,134
Investment in equity instruments at fair value through other comprehensive income		18,759,045	18,759,045
		<u>857,316,366</u>	<u>850,191,156</u>
<b>Current assets</b>			
Cash and cash equivalents		16,028,888	26,307,843
Receivables, prepayments and other current assets	5	388,973,553	367,423,576
Unbilled revenue		10,689,832	4,842,023
Inventories		17,142,766	13,990,267
Due from related parties	6	1,568,020	1,746,629
		<u>434,403,059</u>	<u>414,310,338</u>
<b>TOTAL ASSETS</b>		<u>1,291,719,425</u>	<u>1,264,501,494</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the shareholders of the parent</b>			
Share capital	7	450,000,000	400,000,000
Statutory reserve		73,192,562	73,192,562
(Accumulated losses) / retained earnings		(2,691,843)	71,666,465
Foreign currency translation reserve		(2,272,360)	(1,671,251)
<b>Total equity attributable to the shareholders of the parent</b>		<u>518,228,359</u>	<u>543,187,776</u>
Non-controlling interest		11,003,182	10,046,784
<b>Total equity</b>		<u>529,231,541</u>	<u>553,234,560</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term loans	8	165,929,670	181,525,288
Deferred gain from sale of property and equipment – non-current portion	9	12,859,972	13,261,846
Finance lease obligations	9	60,471,770	60,452,309
Employees' end of service benefits	10	50,322,481	47,515,089
		<u>289,583,893</u>	<u>302,754,532</u>
<b>Current liabilities</b>			
Banks overdraft		89,968,148	79,753,029
Short-term loans		269,274,610	212,400,000
Current portion of long-term loans		31,080,090	34,581,703
Deferred gain from sale of property and equipment – current portion	9	803,748	803,748
Current portion of finance lease obligations	9	2,258,089	3,038,867
Trade and other payables		76,259,097	61,361,283
Due to related parties	6	1,279,123	295,157
Zakat and income tax payable		1,981,086	16,278,615
		<u>472,903,991</u>	<u>408,512,402</u>
<b>Total liabilities</b>		<u>762,487,884</u>	<u>711,266,934</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,291,719,425</u>	<u>1,264,501,494</u>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer

  
Abdulaziz Hammad Al-Bulaid  
Chairman

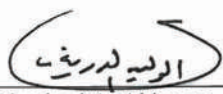
The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2018**

	Note	For the Three months period ended		For the Six months period ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
		SAR	SAR	SAR	SAR
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue		175,553,383	171,729,791	373,922,203	339,296,588
Cost of revenue		(155,465,095)	(136,431,371)	(323,366,600)	(273,591,594)
<b>GROSS PROFIT</b>		<b>20,088,288</b>	<b>35,298,420</b>	<b>50,555,603</b>	<b>65,704,994</b>
Selling and marketing expenses		(10,139,688)	(7,292,498)	(17,127,771)	(14,957,407)
General and administration expenses		(11,136,190)	(13,593,393)	(24,030,991)	(25,933,310)
Impairment of financial assets		(1,550,000)	(800,000)	(2,750,000)	(1,450,000)
<b>(LOSS) / PROFIT FROM MAIN OPERATIONS</b>		<b>(2,737,590)</b>	<b>13,612,529</b>	<b>6,646,841</b>	<b>23,364,277</b>
Other income, net		742,508	863,094	1,550,925	1,924,528
Finance charges, net		(4,903,280)	(3,531,685)	(10,350,004)	(7,828,616)
<b>(LOSS) / PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>(6,898,362)</b>	<b>10,943,938</b>	<b>(2,152,238)</b>	<b>17,460,189</b>
Zakat and income tax		(250,000)	(250,000)	(500,000)	(500,000)
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>		<b>(7,148,362)</b>	<b>10,693,938</b>	<b>(2,652,238)</b>	<b>16,960,189</b>
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>					
<b>ATTRIBUTABLE TO:</b>					
Shareholders of the parent		(7,693,203)	10,345,734	(3,433,308)	16,723,066
Non-controlling interest		544,841	348,204	781,070	237,123
		<b>(7,148,362)</b>	<b>10,693,938</b>	<b>(2,652,238)</b>	<b>16,960,189</b>
<b>BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE FOR THE PERIOD</b>	11	<b>(0.16)</b>	<b>0.23</b>	<b>(0.06)</b>	<b>0.37</b>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer


  
Abdulaziz Hammad Al-Bulaihid  
Chairman

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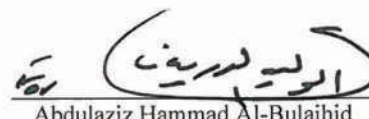
**AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES**  
**(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE  
INCOME FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2018**

	For the Three months period ended		For the Six months period ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	SAR	SAR	SAR	SAR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>	<b>(7,148,362)</b>	<b>10,693,938</b>	<b>(2,652,238)</b>	<b>16,960,189</b>
<b>OTHER COMPEREHNSINVE (LOSS) / INCOME</b>				
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation reserve	(121,193)	279,811	(425,781)	480,692
Other comprehensive (loss) / income	(121,193)	279,811	(425,781)	480,692
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>(7,269,555)</b>	<b>10,973,749</b>	<b>(3,078,019)</b>	<b>17,440,881</b>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>				
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the parent	(6,077,509)	10,625,545	(2,121,621)	17,203,758
Non-controlling interest	(1,192,046)	348,204	(956,398)	237,123
	<b>(7,269,555)</b>	<b>10,973,749</b>	<b>(3,078,019)</b>	<b>17,440,881</b>

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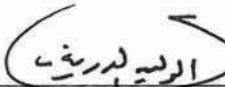
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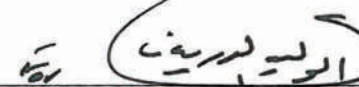
**AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES**  
**(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	Equity				Total equity	
	Share capital SAR	Statutory reserve SAR	Retained earnings/ (Accumulated losses) SAR	Foreign currency translation reserve SAR	Equity SAR	Non-controlling interest SAR
<b>Balance at 1 January 2017 (Audited)</b>	400,000,000	67,932,827	58,121,082	(1,113,749)	524,940,160	9,571,800
Net profit for the period	---	---	16,723,066	---	16,723,066	237,123
Other comprehensive income / (loss) for the period	---	---	---	(717,815)	(717,815)	1,198,507
<b>Total comprehensive income / (loss)</b>	---	---	16,723,066	(717,815)	16,005,251	1,435,630
Dividends	---	---	(20,000,000)	---	(20,000,000)	---
Board of directors' compensation	---	---	(900,000)	---	(900,000)	---
Dividends to non-controlling interest	---	---	---	---	---	(1,440,684)
<b>Balance at 30 June 2017 (Unaudited)</b>	400,000,000	67,932,827	53,944,148	(1,831,564)	520,045,411	9,566,746
<b>Balance at 1 January 2018 (Restated note 16)</b>	400,000,000	73,192,562	71,666,465	(1,671,251)	543,187,776	10,046,784
Net loss for the period	---	---	(3,433,308)	---	(3,433,308)	781,070
Other comprehensive (loss) / income for the period	---	---	---	(601,109)	(601,109)	175,328
<b>Total comprehensive (loss) / income</b>	---	---	(3,433,308)	(601,109)	(4,034,417)	956,398
Share capital	50,000,000	---	(50,000,000)	---	---	---
Dividends	---	---	(20,000,000)	---	(20,000,000)	---
Board of directors' compensation	---	---	(925,000)	---	(925,000)	---
<b>Balance at 30 June 2018 (Unaudited)</b>	450,000,000	73,192,562	(2,691,843)	(2,272,360)	518,228,359	11,003,182

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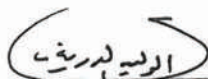
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**AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES**  
**(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	30 June 2018	30 June 2017
	SAR	SAR
	(Unaudited)	(Unaudited)
<b><u>OPERATING ACTIVITIES</u></b>		
(Loss) / profit before zakat and income tax	(2,152,238)	17,460,189
<b>Adjustments to reconcile net profit (loss)/before zakat and income tax to net cash from operating activities:</b>		
Depreciation and amortization	12,813,398	9,837,712
Deferred gain on sale of property and equipment	(401,874)	(401,874)
Provision for employees' end of service benefits	8,042,147	6,322,322
Provision for doubtful receivables	(2,616,331)	357,094
Impairment of financial assets	2,750,000	1,450,000
	<u>18,435,102</u>	<u>35,025,443</u>
<b>Net changes in working capital:</b>		
Receivables, prepayments and other current assets	(21,683,646)	(27,381,874)
Inventories	(3,152,499)	(313,915)
Unbilled revenue	(5,847,809)	(1,826,436)
Trade and other payables	14,897,814	(10,397,734)
<b>Cash generated from / (used in) operating activities</b>	<u>2,648,962</u>	<u>(4,894,516)</u>
Employees' end of service benefits paid	(5,234,755)	(5,790,692)
Zakat and income tax paid	(14,797,529)	(2,381,877)
<b>Net cash used in operating activities</b>	<u>(17,383,322)</u>	<u>(13,067,085)</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property and equipment	(18,258,217)	(55,338,278)
Additions to intangible assets	(1,680,391)	(1,049,983)
<b>Net cash used in investing activities</b>	<u>(19,938,608)</u>	<u>(56,388,261)</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Banks overdraft	10,215,119	46,439,760
Proceeds from term loans, net	37,777,379	34,755,126
Related parties	1,162,575	899,836
Finance lease, net	(761,317)	(931,831)
Board of directors' compensation	(925,000)	(900,000)
Dividends paid	(20,000,000)	(20,000,000)
Foreign currency translation reserve	(601,109)	(717,815)
Non-controlling interest	175,328	(242,177)
<b>Net cash from financing activities</b>	<u>27,042,975</u>	<u>59,302,899</u>
<b>Net change in cash and cash equivalentss</b>	<u>(10,278,955)</u>	<u>(10,152,447)</u>
Cash and cash equivalentss at the beginning of the period	<u>26,307,843</u>	<u>23,446,823</u>
<b>Cash and cash equivalentss at the end of the period</b>	<u>16,028,888</u>	<u>13,294,376</u>

  
Faisal Siddique  
Chief Financial Officer

  
Alwaleed A. Aldryaan  
Chief Executive Officer

  
Abdulaziz Hammad Al-Bulaihid  
Chairman

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

**1. INFORMATION AND ACTIVITIES**

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

The Company and its subsidiaries (together the "Group") are engaged in the training services for computer and related electronics services, establishment and constructions of schools and cafeterias, teaching English language, holding training courses, operation maintenance and computer software, installation of networks, infrastructures, communication systems, call centers and technical supports. The Extraordinary General Assembly held on 19 Rajb 1438H (corresponding to 16 April 2017), agreed the amendment of the company's By-Laws to be in accordance with the new Regulations for Companies.

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

<i>Subsidiary companies</i>	<i>Country of incorporation</i>	<i>Direct / indirect ownership</i>
Fast Lane Group (Fast Lane Consultancy duty free – LTD.)	United Arab Emirates	80%
Al Khaleej Training and Information Technology Company	Egypt	57 %
Online Trading Academy Duty free – LTD.	United Arab Emirates	100%
Applied Digital Media Services Company	United Arab Emirates	90%
Franklin Covey Middle East Company and its subsidiaries*	United Arab Emirates	56%
Linguaphone Limited Company	United Kingdom	100%
Jobzella	Egypt	60%

\* During the year 2018, the Company has acquired an additional equity share in Covey Middle East Company to reach 56% (31 December 2017: 51%). The acquisition resulted goodwill amounting to SAR 857,000.

**2. BASIS OF PREPARATION AND CONSOLIDATION**

**Basis of preparation**

The interim condensed consolidated financial statements are for the Six months ended 30 June 2018 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 2017.

This is the first set of interim condensed consolidated financial statements where IFRS 15 and IFRS 9 have been applied. The changes to significant accounting policies are described in (Note 3-B).

**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 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 has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

**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 acquiree's identifiable net assets at the date of acquisition. The portion of profit or loss and net assets not controlled by the Group are presented separately in the 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 unrealised profit and loss arising from intra-Group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

**Use of judgments, estimates and significant accounting assumptions**

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in (Note 3-B).

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**

**A. New standards, amendments and standards issued and not yet effective**

**New standards, amendment to standards and interpretations:**

The Group has adopted IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments from 1 January 2018, the effect of application of these standards have been fully explained in notes 3.B.a and 3.B.b. Several other new standards, amendments to standards are effective from 1 January 2018 but they do not have a material effect on the Group's interim condensed consolidated financial statements.

**Standards issued but not yet effective**

Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these interim condensed consolidated financial statements.

**IFRS 16 Leases**

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

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. New standards, amendments and standards issued and not yet effective (Continued)**

**Determining whether an arrangement contains a lease**

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

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

**Transition**

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

**Annual improvements to IFRSs 2015–2017 cycle**

**IFRS 3 Business combinations and IFRS 11 Joint arrangements** - clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

**Annual improvements to IFRSs 2015–2017 cycle (continued)**

**IAS 23 Borrowing Costs** - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any nonqualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

**B. Changes in significant accounting policies**

Except as described below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2017. These changes in accounting policies are expected to affect the consolidated financial statements for the year ended 31 December 2018.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Changes in significant accounting policies (Continued)**

The Group has adopted IFRS 9 - "Financial instruments" and IFRS 15 "Revenue from contracts with customers" for the first time effective 1 January 2018.

Initial impact of applying the above described standards is:

1. Revenue presentation (Note A).
2. Increase in credit losses in value of receivables recognized as financial assets (Note B).
3. Reclassification of credit losses in value of receivables in a separate line item and separate them from selling and marketing expenses in the interim condensed consolidated statement of profit or loss (Note B).
4. Presentation of available-for-sale investments as investment in equity instruments at fair value through other comprehensive income (Note B).

**a) IFRS 15 – "Revenue from contracts with customers"**

This IFRS establishes a comprehensive framework for determining the amount and timing of revenue recognition. This standard supersedes IAS 11 "Construction contracts" and IAS 18 "Revenue".

When control of services provided is transferred to the customer over time, the Group meets the performance obligation and recognizes the revenue over a period of time as the customer receives and consumes the benefits of the Group's performance at the same time as the Group provides the service and confirmed from the customer. Which is in accordance with the requirements of IFRS 15 "Revenue from contracts with customers". Accordingly, there is no significant impact on the application of IFRS 15 "Revenue from contracts with customers" on revenue recognition of the Group.

The following are details of significant new accounting policies and the nature of changes in previous accounting policies with respect to the Group's revenues:

<b>Revenue</b>	<b>Nature and timing of satisfying performance obligation and significant payment terms</b>	<b>Nature of change in accounting policy</b>
Revenue from training, education and communications centers.	The control of services provided is transferred to the customer over time, the Group meets the performance obligation and recognizes the revenue over a period of time as the customer receives and consumes the benefits of the Group's performance obligation at the same time as the Group provides the service and confirmed from the customer.	In accordance with IAS 18 Revenue from contracts with customers is recognized when the service is rendered and confirmed from the customer.

The Group has adopted the IFRS 15 "Revenue from contracts with customers" retrospectively with recognizing cumulative effect of the initial application as of 1 January 2018. Accordingly, the information provided for the previous year has not been adjusted which is previously reported in accordance with IAS 18 and its related interpretations. In our opinion, there is no impact on the interim condensed consolidated financial statements.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Changes in significant accounting policies (Continued)**

**b) IFRS 9 – “Financial instruments”**

This standard specifies the requirements of recognition and measurement of financial assets and liabilities and certain purchase / sale contracts of non-financial items. This standard supersedes IAS 39 “Financial instruments” - “recognition and measurement”.

The following are the details of significant new accounting policies and nature of changes in previous accounting policies:

**Classification and measurement of financial assets and financial liabilities**

IFRS 9 retains substantially the current requirements of IAS 39 for the purpose of classifying and measuring financial liabilities. But it excludes the categories previously stated in IAS 39 relating to held-to-maturity assets, loans, advances and financial assets available for sale.

The adoption of IFRS 9 will not have a significant impact on the Group's accounting policies of financial liabilities. The impact of IFRS 9 adoption on the classification and measurement of financial assets is as follows:

In accordance with IFRS 9, on initial recognition, financial assets are classified as financial assets measured at amortized cost or at fair value through other comprehensive income - investments in debt instruments or at fair value through other comprehensive income - equity instruments, or at fair value through profit or loss. The classification of financial assets in accordance with IFRS 9 is usually based on the business model by which the financial asset is managed and the characteristics of its contractual cash flows.

Financial assets are measured at amortized cost if both two conditions are met and are not designated at fair value through profit or loss:

- a. Retained in the business model intended to hold assets for collection of contractual cash flows.
- b. Their contractual periods are established on specific dates for cash flows that represent only payments of principal and interest on principal of outstanding amount.

Investments in debt instruments are measured at fair value through other comprehensive income if both two conditions are met and are not designated at fair value through profit or loss:

- a. Retained in the business model intended to hold assets for collection of contractual cash flows and selling of financial assets.
- b. Their contractual periods are established on specific dates for cash flows that represent only payments of principal and interest on principal of outstanding amount.

Upon initial recognition of investments in equity instruments not held for trading, the Group has the right to choose ultimately to present subsequent changes in fair value of the investment in other comprehensive income. This option is made on each investment separately.

All financial assets that are not carried at amortized cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit or loss. This includes all derivative financial assets. At initial recognition, the Group is entitled to classify assets which meets in other respects the measurement requirements at amortized cost or at fair value through other comprehensive income, as financial assets at fair value through profit or loss, and if done so, eliminate non-accounting mismatches that may arise otherwise or reduced dramatically.

Initial measurement of financial assets (unless a trade receivable is not initially a financial component initially measured at the transaction price) is measured at fair value, for the unquoted item at fair value through profit or loss, in addition to the transaction costs that are directly attributable to the acquisition.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Changes in significant accounting policies (Continued)**

**b) IFRS 9 – “Financial instruments” (Continued)**

The following accounting policies are applied to the subsequent measurement of financial assets:

<u>Financial instrument</u>	<u>Measurement</u>
Financial assets at fair value through profit or loss	Subsequent measurement of these assets is normally measured at fa. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequent measurement of these assets is carried at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses (see 2 below). Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss is recognized in profit or loss.
Investments in debt instruments at fair value through other comprehensive income	Subsequent measurement of these assets is carried at fair value. Interest income, which is calculated using the effective interest method, as well as foreign exchange gains and losses and impairment, is recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. Upon discontinuation of the evidence, the cumulative gains and losses in other comprehensive income are reclassified to profit or loss.
Investments in equity instruments at fair value through other comprehensive income	Subsequent measurement of these assets is carried at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents the recovery of part of the cost of the investment. Other gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

The following table and accompanying notes present the previous measurement categories in accordance with IAS 39 as well as the new measurement categories in accordance with IFRS 9 of the Group's financial assets category as of 1 January 2018:

	<u>Notes</u>	<u>Classification</u> <u>(IAS 39)</u>	<u>Classification</u> <u>(IFRS 9)</u>	<u>Carrying</u> <u>amount</u> <u>(IAS 39)</u> <u>SAR</u>	<u>Carrying</u> <u>amount</u> <u>(IFRS9)</u> <u>SAR</u>
<b>Financial Assets</b>					
Investment in equity	i	Available for sale investment	Equity instruments at fair value through other comprehensive income	18,759,045	18,759,045
Trade accounts receivable and unbilled revenues	ii	Debts and facilities	Amortized cost	337,785,038	337,785,038
Cash and bank balances		Debts and facilities	Amortized cost	26,307,843	26,307,843
				<u>382,851,926</u>	<u>382,851,926</u>

i. This investment represents what the Group intends to maintain over the long-term for strategic purposes. As permitted under IFRS 9, the Group has classified and measured this investment as at 1 January 2018 at fair value through other comprehensive income

ii. Receivables and unbilled revenues classified as debts and facilities under IAS 39 are currently classified at amortized cost

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Changes in significant accounting policies (Continued)**

**b) IFRS 9 – “Financial instruments” (Continued)**

**1. Impairment of financial assets**

IFRS 9 replaces the “loss incurred” model in IAS 39 with the “expected credit loss” model. The new model is applied to financial assets measured at amortized cost, contract assets and investments in debt instruments at fair value through other comprehensive income and not investments in equity instruments. In accordance with IFRS 9, previously recognized credit losses are recognized in accordance with IAS 39.

**Credit impaired financial assets**

At each reporting date, the Group assesses whether the financial assets carried at amortized cost have an impaired credit value. A financial asset is considered to be “impaired” when one or more events have had an adverse effect on the estimated future cash flows of the financial asset.

**Impairment presentation**

Loss provisions for financial assets measured at amortized cost are deducted from the carrying amount of the asset.

Impairment losses on receivables are presented separately in the interim condensed consolidated statement of profit or loss. Accordingly, the Group has reclassified the impairment losses to SAR 1,540,914 recognized in accordance with IAS 39 as “selling and marketing expenses” To “impairment of other financial assets” in the interim condensed consolidated statement of profit or loss for the Six months period ended 30 June 2017.

**2. Conversion**

The Group has applied an exemption allowing it not to modify comparative figures for prior periods in respect of changes in classification and measurement (including impairment). Differences in the carrying amounts of financial assets and financial liabilities arising from the application of IFRS 9 are not recognized in retained earnings as at 1 January 2018, due to that the amounts are insignificant. Accordingly, the information presented for the year 2017 does not generally reflect the requirements of IFRS 9 but rather discloses IAS 39.

The following assessment was made on the basis of the facts and circumstances as at 1 January 2018:

- a. Defines the business model in which the financial assets are held.
- b. Defining and canceling the prior designation of certain financial assets.
- c. Classification of certain investments in equity instruments that are not held for trading at fair value through other comprehensive income.

As disclosed with in (Note 3-B), followed with transition impact within the note, the Group has adopted IFRS 9 effective from 1 January 2018, resulting change in its impairment model of incurred loss under IAS 39 to expected loss model as required by IFRS 9. However, the change in provision for impairment was not recognized on the opening retained earning at 1 January 2018 on transition to IFRS 9 as the amount of change was not material.

**Revenues**

The control of services provided is transferred to the client over time, the Group meets the performance obligation and recognizes the revenues over a period of time as the customer receives and consumes the benefits of the Group's performance obligation at the same time as the Group provides the service and confirmed from the customer.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Changes in significant accounting policies (Continued)**

**Financial instruments**

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Changes in significant accounting policies (Continued)

For certain categories of financial assets, such as receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period granted, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Changes in significant accounting policies (Continued)**

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially and subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

**4. PROPERTY AND EQUIPMENT, NET**

	30 June 2018 (Unaudited) SAR	31 December 2017 (Audited) SAR
Balance at 1 January	792,718,977	681,928,835
Additions during the period/year	18,258,217	103,220,533
Disposals	---	(3,531,257)
Transfers	---	35,096,339
Depreciation during the period/year	(12,488,548)	(25,548,121)
Net book value of disposed property and equipment	---	1,552,648
	<u>798,488,646</u>	<u>792,718,977</u>

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**5. RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS**

Included in receivables are amounts totaling SAR 306 million (31 December 2017: SAR 295 million, due from government and quasi-government institution in which balance of SAR 97 million due over one year as of 30 June 2018 (31 December 2017: SAR 90 million). The Group's management believes that all 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 June 2018 (Unaudited) SAR	31 December 2017 (Audited) SAR
Balance at 1 January	14,762,386	10,313,354
Charge for the period / year	2,750,000	9,562,061
Amounts written off during the period / year	(2,616,331)	(5,113,029)
	<b>14,896,055</b>	<b>14,762,386</b>

**6. RELATED PARTIES TRANSACTIONS**

<u>Related party</u>	Nature of transactions	30 June 2018 (Unaudited) SAR	30 June 2017 (Unaudited) SAR
Companies owned by directors	Rent as lessee	540,000	590,000
	Rent as lessor	683,000	683,000
<u>Key management remuneration</u>			
Short-term employee benefits:			
Salaries including bonuses	Salaries and bonuses	1,175,000	950,000
Post-employment benefits:			
Termination benefits	End of service	2,443,151	2,343,150

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 to those prevailing in normal transactions. Balances due at the end of each year are unsecured and do not bear commissions and are settled in cash.

There are no guarantees from or to the related parties. For the period ended 30 June 2018, the Group has not recorded any impairment loss on amounts due from related parties. Valuation of impairment is performed every financial year by examining the financial position of the related entity and the market in which the entity is involved.

**7. SHARE CAPITAL**

The Group's capital consists of 45 Million shares as at 30 June 2018 (31 December 2017: 40 Million shares) of SAR 10 each.

**8. CREDIT FACILITIES**

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

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**9. FINANCE LEASE OBLIGATIONS**

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

- a) Leased computers from 3 to 4 years.
- b) Leased building through sale and lease back. As the Group has completed, on 15 September 2015, the sale of a newly constructed management building in Al-Ghadeer area in Riyadh, the cost of which is approximately SAR 58.9 million, to Manafe' Holding Company, at a selling price of SAR 75 million, in order to finance the Group's expansion in educational projects. And leased back the building for 20 years ending in the year 2034. Gain from the sale transaction, amounting to approximately SAR 16 million, were deferred in accordance with the requirements of the Standard of Accounting for Leases issued by the Saudi Organization for Certified Public Accountants, and will be recognized in subsequent periods in correlation with depreciation, as the leaseback was classified as a finance lease. During the year 2016 the rental value of the land for the building was separated where the building was classified as finance lease (with present value of SAR 48.7 million) and the rent land was classified as operating lease. It has been recognized an amount of SAR 401,874 as gains from the sale of the building in the interim condensed consolidated statement of profit or loss during the period (30 June 2017: SAR 401,874).
- c) Schools leased building in Dammam. on 25 August 2016 the Group has signed a contract with Mohammed Abdulaziz Al Rajhi & Sons Investment Group, to lease Al Ishraq Building Schools for 20 years. The building lease was classified as a finance lease (with present value SAR 17.8 million) and the rent land was classified as operating lease.

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

	Computers SAR	Buildings SAR	Total SAR
2018	950,860	4,471,848	5,422,708
2019	762,936	5,330,440	6,093,376
2020-2036	225,045	94,956,755	95,181,800
	<u>1,938,841</u>	<u>104,759,043</u>	<u>106,697,884</u>

**10. EMPLOYEES' END OF SERVICE BENEFITS**

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

	30 June 2018 (Unaudited) SAR	31 December 2017 (Audited) SAR
Balance at 1 January	47,515,089	43,801,134
Cost of service and interest included in profit or loss	8,042,147	13,501,899
Paid during the period/year	<u>(5,234,755)</u>	<u>(9,787,944)</u>
	<u>50,322,481</u>	<u>47,515,089</u>

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**11. EARNING PER SHARE**

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

	For the Three months period ended		For the Six months period ended	
	30 June 2018 SAR	30 June 2017 SAR	30 June 2018 SAR	30 June 2017 SAR
Net (loss) / profit for the period	(7,148,362)	10,693,938	(2,652,238)	16,960,189
Weighted average number of ordinary shares	45,000,000	45,000,000	45,000,000	45,000,000
Earnings per share	(0.16)	0.23	(0.06)	0.37

**12. SEGMENT INFORMATION**

The segmental information are 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 organised 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.

**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.

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**12. SEGMENT INFORMATION (Continued)**

**6- Schools**

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

	<i>Computer SAR</i>	<i>Language SAR</i>	<i>Educational projects SAR</i>	<i>Financial and management training SAR</i>	<i>Communication center SAR</i>	<i>Schools SAR</i>	<i>Total SAR</i>
<b>30 June 2018 (Unaudited)</b>							
Revenues	43,780,370	28,001,097	42,700,781	46,613,238	164,953,506	47,873,211	373,922,203
Depreciation (loss) / profit before zakat and income tax	1,803,753 (6,593,216)	1,127,346 (6,452,953)	1,578,284 2,188,752	941,592 5,137,066	2,396,123 9,891,577	4,641,450 (6,323,464)	12,488,548 (2,152,238)
Total assets	235,807,395	117,903,697	14,737,962	52,892,573	264,601,749	605,776,049	1,291,719,425
Total liabilities	63,487,108	31,743,554	3,967,944	31,126,170	31,043,057	601,120,051	762,487,884
Capital expenditure	3,725,950	1,923,469	558,892	1,420,922	5,455,757	5,173,227	18,258,217
<b>30 June 2017 (Unaudited)</b>							
Revenues	41,416,991	36,550,471	35,817,076	28,011,106	151,994,138	45,506,806	339,296,588
Depreciation (loss) / profit before zakat and income tax	1,705,947 (1,670,418)	1,075,998 1,861,434	1,356,414 1,051,192	947,973 1,953,757	1,488,752 13,175,308	3,216,209 1,088,916	9,791,293 17,460,189
Total assets	234,668,703	117,334,352	15,644,580	23,466,870	261,665,952	561,348,172	1,214,128,629
Total liabilities	48,188,473	24,094,236	3,212,565	4,818,847	52,398,197	551,804,154	684,516,472
Capital expenditure	3,979,254	1,989,627	265,284	397,925	3,452,265	45,253,923	55,338,278

Substantially, all the Group's operating assets are located in the Kingdom of Saudi Arabia. It is not meaningful to disclose information to individual geographic areas.

**13. FINANCIAL INSTRUMENTS**

**Fair value measurements of financial instruments**

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

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

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

**AL KHALEEJ TRAINING AND EDUCATION COMPANY AND ITS SUBSIDIARIES**  
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**13. FINANCIAL INSTRUMENTS (Continued)**

<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>30 June 2018 (Unaudited)</u></b>				
<b>Financial assets</b>				
Investment in equity instruments at fair value through comprehensive income	18,759,045	---	---	18,759,045
Receivables, prepayments and other current assets	388,973,553	---	---	388,973,553
Unbilled revenue	10,689,832	---	---	10,689,832
Cash and cash equivalents	16,028,888	---	---	16,028,888
<b>Financial liabilities</b>				
Long-term loans	165,929,670	---	---	165,929,670
Deferred gain from sale of property and equipment – non-current portion	12,859,972	---	---	12,859,972
Finance lease obligation	60,471,770	---	---	60,471,770
Banks overdraft	89,968,148	---	---	89,968,148
Short-term loans	269,274,610	---	---	269,274,610
Current portion of long-term loans	31,080,090	---	---	31,080,090
Deferred gain from sale of property and equipment – current portion	803,748	---	---	803,748
Current portion of finance lease obligations	2,258,089	---	---	2,258,089
Trade and other payables	76,259,097	---	---	76,259,097
<b><u>31 December 2017 (Audited)</u></b>				
<b>Financial assets</b>				
Investment in equity instruments at fair value through comprehensive income	18,759,045	---	---	18,759,045
Receivables, prepayments and other current assets	367,423,576	---	---	367,423,576
Unbilled revenues	4,842,023	---	---	4,842,023
Cash and cash equivalents	26,307,843	---	---	26,307,843
<b>Financial liabilities</b>				
Long-term loans	181,525,288	---	---	181,525,288
Deferred gain from sale of property and equipment – non-current portion	13,261,846	---	---	13,261,846
Obligations under capital leases	60,452,309	---	---	60,452,309
Banks overdraft	79,753,029	---	---	79,753,029
Short-term loans	212,400,000	---	---	212,400,000
Current portion of long-term loans	34,581,703	---	---	34,581,703
Deferred gain from sale of property and equipment – current portion	803,748	---	---	803,748
Current portion of finance lease obligations	3,038,867	---	---	3,038,867
Trade and other payables	61,361,283	---	---	61,361,283

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**14. GENERAL ASSEMBLY RESOLUTIONS**

The general assembly has agreed on the following recommendations of the board of directors in its meeting held on 11 Rajab 1439 H (corresponding to 28 March 2018) to:

- Increase the share capital by SAR 50 million to reach 450 million.
- Distribute of cash dividends related for the year ended 31 December 2017 amounting to SAR 20 million (SAR 1 per share).
- Awarded bonus to the board members with total amount of SAR 925,000 for the year ended 31 December 2017.

**15. COMPARATIVE FIGURES**

Figures have been rearranged or reclassified wherever necessary for better presentation; however, other than the adjustment mentioned in (note 16) below, no significant rearrangements or reclassifications have been made in these interim condensed consolidated financial statements.

**16. RESTATEMENTS**

During 2018, The General Authority of Zakat and Tax (GAZT), has reviewed the Groups' records for the years from 2007 to 2014 which were under disagreement between the Group and GAZT. The final assessment resulted in a zakat payable of SAR 12,892,229. This amount relates to prior years and the Group's management had estimated an approximate amount for the result but recorded the wrong estimate in the provision of prior years.

To reflect the adjustment of the error the Group recorded the difference in provision to the opening balance of retained earnings and the zakat and income tax payable in 2017. The value of the adjustments are as follows:

	31 December 2017 SAR As reported	Adjustment SAR	31 December 2017 SAR (Restated)
Retained earnings	84,558,694	(12,892,229)	71,666,465
Zakat and income tax payable	3,386,386	12,892,229	16,278,615

**17. APPROVALS OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The board of directors has approved the interim condensed consolidated financial statements on 20 Dhul Qa'adah 1439H (corresponding to 2 August 2018G).