Al Khaleej Training and Education Company

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Al Khaleej Training and Education Company and its subsidiaries
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Al Khaleej Training and Education Company ("the Company") and its Subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements taken as a whole present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed in the Kingdom of Saudi Arabia by the Saudi Organization for Certified Public Accountants (SOCPA) and other standards and pronouncements endorsed by SOCPA.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters (KAMs)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each key audit matter, a description of how our audit addressed the matter is set out below:

Key Audit Matters (KAMs) (continued)

Key Audit Matter description	How the Key Audit Matter was addressed in the audit
1. **Adoption of IFRS 16 "Leases"** The Group adopted the accounting standard IFRS 16 "Leases" at the beginning of the year. The new standard supersedes the requirements of 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 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. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor. The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. 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').	Our principal audit procedures related to the Group's adoption of IFRS 16 included the following: • Assessed the lease model including the model assumptions and input parameters as well as reviewed how the model calculates. • Assessed the Group's transition process in accordance with IFRS 16. • Evaluated management's significant accounting policies related to leases. • Ensured that the disclosures presented in the consolidated financial statements regarding leases are appropriate.

Key Audit Matters (KAMs) (continued)

Key Audit Matter description	How the Key Audit Matter was addressed in the audit
2. Revenue recognition The Group recognizes revenue upon transfer of control of promised services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services. The Group offers customers the ability to acquire multiple services. Significant judgment is exercised by the Group in determining revenue recognition for customer agreements, and includes the following: • Determination whether services are considered distinct performance obligations that should be accounted for separately versus together. • Determination of prices for each distinct performance obligation and for services. • The pattern of delivery (i.e., timing of when revenue is recognized) for each distinct performance obligation. • Estimation of variable consideration when determining the amount of revenue to recognize • Given these factors, the related audit effort in evaluating the Group management's judgments in determining revenue recognition for customer agreements was extensive and required a high degree of auditor judgment.	Our principal audit procedures related to the Group's revenue recognition for customer agreements included the following: • Tested the effectiveness of internal controls related to the identification of distinct performance obligations, the determination of the timing of revenue recognition, and the estimation of variable consideration. • Evaluated management's significant accounting policies related to customer agreements for reasonableness. • Selected a sample of customer agreements and performed the following procedures: - Obtained and read contract source documents for each selection and other documents that were part of the agreement. - Tested management's identification of significant terms for completeness, including the identification of distinct performance obligations and variable consideration. - Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions. - Evaluated the reasonableness of management's estimate of prices for services. - Tested the mathematical accuracy of management's calculations of revenue and the associated timing of revenue recognized in the consolidated financial statements.

Key Audit Matters (KAMs) (continued)

Key Audit Matter description	How the Key Audit Matter was addressed in the audit
3. Provision for expected credit losses (ECL) The provision for expected credit losses for the Group is calculated in accordance with the requirements of IFRS 9. In order to provide for expected credit losses, management uses both a model-based approach and individual assessments to consider factors not captured by this model. Expected credit losses shall be measured in a way that reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and is based on past events, current conditions and forecasts of future economic conditions. To calculate the provision, the Group is required to make estimates and assumptions regarding for example criteria to identify a significant increase in credit risk and methods to calculate expected credit losses. Due to the complexity of the calculation and that it requires Group to make estimates and assumptions, provisioning for expected credit losses is considered a key audit matter.	Our principal audit procedures related to the Group's expected credit losses provision included the following: • Tested the design and operating effectiveness of key controls in the credit process, credit approval, credit review, rating classification as well as identifying and determining credits to be in default. • Tested controls relating to input data to models and the general IT-controls including the handling of authorizations within these systems. • Assessed the ECL model including the model assumptions and input parameters as well as assessed how the model calculates. Our assessment of input parameters includes probability of default, loss given default, exposure at default and staging criteria, parameters determining a significant increase in credit risk at engagement level in accordance with IFRS 9. • On a sample basis we challenged the Group's initial and current engagement risk rating. • Tested that data used from supporting systems used in the ECL model, is complete and accurate. • Assessed the model validations which have been performed and reviewed the reasonableness of the macroeconomic data used in the ECL model. • Assessed the reasonableness of the manual adjustments made by the Group. In our audit we have used our internal model specialists to support us when performing the audit procedures. • Ensured that the disclosures presented in the consolidated financial statements regarding credit risk are appropriate.

Key Audit Matters (KAMs) (continued)

Key Audit Matter description	How the Key Audit Matter was addressed in the audit
4. Valuation of financial instruments at fair value The Group holds financial instruments where unadjusted quoted market prices are not readily available, thus fair value is determined either using valuation techniques based on observable market parameters (categorized as level 2 under IFRS fair value hierarchy). The Group has financial assets in level 2. The main part of the financial instruments in level 2 are comprised of debt securities. Due to the complexity in the calculation of fair value as well as the need for the Group to make assessments of valuation parameters, the valuation of financial instruments with no readily available unadjusted quoted market prices is deemed to be a key audit matter.	Our principal audit procedures related to the Group's valuation of financial instruments at fair value included the following: • Assessed the Group approach for valuing financial instruments with no readily available quoted market prices, including the classification in the valuation hierarchy in accordance with IFRS 13. • Tested the key controls in the valuation process, including the Group's assessment and approval of assumptions, methods used and control of data quality. • Evaluated the methods and assumptions made when valuing financial instruments with no readily available quoted market prices available. • Compared the valuation made with valuation guidelines and industry practice. • Compared assumptions with appropriate reference sources and examined any significant deviations. • Checked the accuracy of the valuations by conducting sample tests and performed our own independent valuations. • Engaged our internal valuation specialists to support us when performing our audit procedures.

Other information included in the Group's annual report

Other information consists of the information included in the Group's 2019 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report.

Our opinion on the consolidated financial statements does cover the other information and we do not and will not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, applicable requirements of Regulation for Companies and by-laws of the Group and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, being the "Audit Committee", are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Article (135) of the Companies Law requires that the auditor includes in his report violations to the provisions of the Companies Law or Company's articles of association. During the course of our audit of the consolidated financial statements, we have not discovered a violation to the provisions of the Companies Law or the provisions of the Company's articles of association.

Aldar Audit Bureau
Abdullah Al Basri & Co.

ALDAR AUDIT BUREAU
Professional Partnership Co.
Head Office Riyadh
C.R 1010443881
Certified Accountants
Abdullah Al Basri & Co.

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

Riyadh, 1 Sha'ban 1441H
Corresponding to 25 March 2020G

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	**31 December 2019**	31 December 2018
		SR	SR (Restated note 3-1)
ASSETS			
Non-current assets			
Intangible assets, net	5	**40,718,000**	39,730,597
Right of use of assets	3-1	**338,630,383**	92,198,577
Property and equipment, net	6	**498,692,007**	807,085,149
Investment in equity instruments at fair value through other comprehensive income	7	**269,071,412**	18,930,188
		1,147,111,802	957,944,511
Current assets			
Cash and cash equivalent	8	**181,967,462**	38,465,027
Accounts receivable, net	9	**286,170,469**	335,096,585
Other current assets	10	**128,355,188**	63,834,199
Unbilled revenues		**22,687,655**	15,366,930
Inventory, net	11	**13,602,785**	13,303,423
Due from related parties	12	**1,430,809**	415,405
		634,214,368	466,481,569
TOTAL ASSETS		**1,781,326,170**	1,424,426,080
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent			
Share capital	13	**450,000,000**	450,000,000
Statutory reserve		**83,054,313**	76,627,243
Retained earnings		**69,834,487**	23,110,622
Foreign currency translation reserve		**(2,234,632)**	(2,755,173)
Fair value reserve	7	**17,952,820**	171,143
Total equity attributable to the shareholders of the parent		**618,606,988**	547,153,835
Non-controlling interest		**11,097,193**	8,470,817
Total equity		**629,704,181**	555,624,652
LIABILITIES			
Non-current liabilities			
Long-term loans	14	**98,544,584**	136,827,670
Deferred gain from sale of property and equipment	15	**11,654,350**	12,458,098
Finance lease obligations	15	**474,778,157**	136,431,430
Employees' end of service benefits	16	**56,013,132**	53,965,487
		640,990,223	339,682,685
Current liabilities			
Banks overdraft		**3,561,090**	90,138,354
Short-term loans	14	**324,993,901**	289,459,002
Current portion of long-term loans	14	**24,584,414**	44,716,619
Current portion of deferred gain from sale of property and equipment	15	**803,748**	803,748
Current portion of finance lease obligations	15	**34,453,841**	16,982,800
Trade and other payables	17	**119,624,254**	82,318,540
Due to related parties	12	**2,658**	1,968,594
Zakat and income tax payable	18	**2,607,860**	2,731,086
		510,631,766	529,118,743
Total liabilities		**1,151,621,989**	868,801,428
TOTAL EQUITY AND LIABILITIES		**1,781,326,170**	1,424,426,080

Faisal Siddique	Alwaleed A. Aldryaan	Abdulaziz Hammad Al-Bulaihid
Chief Financial Officer	Chief Executive Officer	Chairman

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**31 December 2019**	31 December 2018
		SR	SR
Revenues		**864,191,027**	802,516,605
Cost of revenues		**(685,517,683)**	(644,716,914)
GROSS PROFIT		**178,673,344**	157,799,691
Selling and marketing expenses	19	**(44,740,092)**	(41,640,102)
General and administration expenses	20	**(50,660,432)**	(50,099,963)
Impairment of other financial assets	9	**(21,239,987)**	(8,506,090)
PROFIT FROM MAIN OPERATIONS		**62,032,833**	57,553,536
Goodwill impairment	5	**(204,060)**	(704,060)
Financial charges		**(27,937,969)**	(26,703,652)
Other income, net	21	**33,055,196**	5,518,549
PROFIT BEFORE ZAKAT AND INCOME TAX		**66,946,000**	35,664,373
Zakat and income tax	18	**(2,675,299)**	(1,317,563)
NET PROFIT FOR THE YEAR		**64,270,701**	34,346,810
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the parent		**59,466,935**	32,357,877
Non-controlling interest		**4,803,766**	1,988,933
		64,270,701	34,346,810
BASIC AND DILUTED EARNINGS PER SHARE OF NET PROFIT FOR THE YEAR	23	**1.32**	0.72

Faisal Siddique	Alwaleed A. Aldryaan	Abdulaziz Hammad Al-Bulaihid
Chief Financial Officer	Chief Executive Officer	Chairman

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

CONSOLIDATED STATEMENT OF OTHER COMPRHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December 2019	31 December 2018
	SR	SR
NET PROFIT FOR THE YEAR	**64,270,701**	34,346,810
OTHER COMPEREHNSINVE INCOME		
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation reserve	**(1,656,849)**	(2,648,822)
Unrealized gain on investment in equity instruments at fair value through other comprehensive income	**17,781,677**	171,143
	16,124,828	(2,477,679)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on re-measurement of end of service benefits	**(6,316,000)**	(1,349,000)
TOTAL OTHER COMPEREHNSINVE INCOME/(LOSS)	**9,808,828**	(3,826,679)
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME	**74,079,529**	30,520,131
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the parent	**71,453,153**	30,096,098
Non-controlling interest	**2,626,376**	424,033
	74,079,529	30,520,131

Faisal Siddique	Alwaleed A. Aldryaan	Abdulaziz Hammad Al-Bulaihid
Chief Financial Officer	Chief Executive Officer	Chairman

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Equity attributable to the shareholders of the parent						Total equity	
	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Fair value reserve	**Equity**	Non-controlling interest	**Total**
	SR	SR	SR	SR	SR	**SR**	SR	**SR**
Balance at 1 January 2018	400,000,000	73,192,562	71,666,465	(1,671,251)	---	543,187,776	10,046,784	553,234,560
Effect of IFRS 16 adoption	---	---	(6,130,039)	---	---	(6,130,039)	---	(6,130,039)
Net profit for the year	---	---	32,357,877	---	---	32,357,877	1,988,933	34,346,810
Other comprehensive loss for the year	---	---	(1,349,000)	(1,083,922)	171,143	(2,261,779)	(1,564,900)	(3,826,679)
Total profit and other comprehensive income	---	---	31,008,877	(1,083,922)	171,143	30,096,098	424,033	30,520,131
Capital increase	50,000,000	---	(50,000,000)	---	---	---	---	---
Transfer to statutory reserves	---	3,434,681	(3,434,681)	---	---	---	---	---
Dividends paid	---	---	(20,000,000)	---	---	(20,000,000)	---	(20,000,000)
Dividends to non-controlling interest	---	---	---	---	---	---	(2,000,000)	(2,000,000)
Balance at 31 December 2018 (Restated note 3-1)	450,000,000	76,627,243	23,110,622	(2,755,173)	171,143	547,153,835	8,470,817	555,624,652
Balance at 1 January 2019 (Restated note 3-1)	**450,000,000**	**76,627,243**	**23,110,622**	**(2,755,173)**	**171,143**	**547,153,835**	**8,470,817**	**555,624,652**
Net profit for the year	---	---	**59,466,935**	---	---	**59,466,935**	**4,803,766**	**64,270,701**
Other comprehensive income for the year	---	---	**(6,316,000)**	**520,541**	**17,781,677**	**11,986,218**	**(2,177,390)**	**9,808,828**
Total profit and other comprehensive income	---	---	**53,150,935**	**520,541**	**17,781,677**	**71,453,153**	**2,626,376**	**74,079,529**
Transfer to statutory reserves	**---**	**6,427,070**	**(6,427,070)**	**---**	**---**	**---**	**---**	**---**
Balance at 31 December 2019	**450,000,000**	**83,054,313**	**69,834,487**	**(2,234,632)**	**17,952,820**	**618,606,988**	**11,097,193**	**629,704,181**

Faisal Siddique Chief Financial Officer	Alwaleed A. Aldryaan Chief Executive Officer	Abdulaziz Hammad Al-Bulaihid Chairman

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December 2019	31 December 2018
	SR	SR
OPERATING ACTIVITIES		
Profit before zakat and income tax	**66,946,000**	35,664,373
Adjustments to:		
Depreciation and amortization	**45,203,238**	22,170,644
Goodwill impairment	**204,060**	704,060
Deferred gain on sale of property and equipment	**(803,748)**	(803,748)
(Gain) /loss on sale of property and equipment	**(27,230,191)**	118,200
Impairment of other financial assets	**21,239,987**	8,506,090
Bad debts	**(692,895)**	(2,739,269)
Provision for employees' end of service benefits	**15,897,132**	14,970,833
	120,763,583	78,591,183
Net changes in working capital:		
Accounts receivable	**28,379,024**	(38,996,187)
Other current assets	**(64,520,989)**	(3,694,110)
Unbilled revenue	**(7,320,725)**	(10,524,907)
Inventories	**(299,362)**	686,844
Related parties, net	**(2,981,340)**	3,004,661
Trade and other payables	**37,305,714**	20,957,257
Cash from operating activities	**111,325,905**	50,024,741
Employees' end of service benefits paid	**(20,165,487)**	(9,869,435)
Zakat and income tax paid	**(2,798,525)**	(14,865,092)
Net cash from operating activities	**88,361,893**	25,290,214
INVESTING ACTIVITIES		
Purchase of property and equipment	**(59,974,256)**	(36,196,148)
Proceed from sale of property and equipment	**498,225,000**	---
Purchase of investment	**(232,359,547)**	---
Additions to intangible assets	**(1,983,205)**	(2,180,391)
Right of use of assets	**(273,809,339)**	---
Net cash used in investing activities	**(69,901,347)**	(38,376,539)
FINANCING ACTIVITIES		
Banks overdraft	**(86,577,264)**	10,385,325
Term loans, net	**(22,880,392)**	42,496,300
Lease obligations, net	**236,156,394**	(2,989,294)
Dividends paid	**---**	(20,000,000)
Foreign currency translation reserve	**520,541**	(1,083,922)
Non-controlling interest	**(2,177,390)**	(3,564,900)
Net cash from financing activities	**125,041,889**	25,243,509
Net change in cash and cash equivalent	**143,502,435**	12,157,184
Cash and cash equivalent at the beginning of the year	**38,465,027**	26,307,843
Cash and cash equivalent at the end of the year	**181,967,462**	38,465,027

Faisal Siddique Chief Financial Officer	Alwaleed A. Aldryaan Chief Executive Officer	Abdulaziz Hammad Al-Bulaihid Chairman

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

1. CORPORATE AND GROUP INFORMATION

1-1 Corporate information

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

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.

1-2 Group information

The following is the list of subsidiaries included in these consolidated financial statements which provide training services. The ownership percentages below as of 31 December 2019 and 31 December 2018.

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

2. BASIS OF PREPARATION

2-1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA"). They have been prepared under the assumption that the Group operates on a going concern basis.

2-2 Basis of consolidation

The consolidated financial statements comprise of the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and explanatory notes of the Group. Which include assets, liabilities and the result of operations of the company and its subsidiaries as stated in note (1) above. The Company and its subsidiaries (collectively referred to as "the Group").

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

2. BASIS OF PREPARATION (CONTINUED)

2-2 Basis of consolidation (continued)

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

2-3 Use of judgments, estimates and significant accounting assumptions

In preparing these 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 16, which described in (Note 3-1).

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.

2-4 Business combination

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 consolidated statement of financial position. NCI are measured at their proportionate share of the acquires 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 consolidated statement of profit or loss and within equity in the consolidated statement of financial position.

2-5 Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the parent company.

3. NEW STANDARDS AND INTERPRETATIONS

3-1 New Standards adopted as at 1 January 2019

IFRS 16 Leases

IFRS 16 supersedes 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 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.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. 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').

3. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

3-1 New Standards adopted as at 1 January 2019 (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 is as follows:

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

	1 January 2019 SR
Non-current assets	
Intangible assets, net (Right of use assets)	92,198,577
Current assets	
Other current assets (Prepayments)	(5,416,268)
Non-current liabilities	
Lease obligations (Operating lease liabilities)	78,399,237
Current liabilities	
Lease obligations (Operating lease liabilities)	14,513,111
Total lease liabilities	92,912,348
Total equity	(6,130,039)

a. **Nature of the effect of adoption of IFRS 16**

The Group has lease contracts for various items of buildings, learning centers, shops and offices). Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

- *Leases previously classified as finance leases*
  The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

- *Leases previously accounted for as operating leases*
  The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

3. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

3-1 New Standards adopted as at 1 January 2019 (continued)

IFRS 16 Leases (continued)

a. Nature of the effect of adoption of IFRS 16 (continued)

- ***Leases previously accounted for as operating leases (continued)***

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,
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	SR
Operating lease commitments as at 31 December 2018	**94,151,453**
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	**92,912,348**
Lease liabilities as at 1 January 2019	**92,912,348**

b. Amounts recognised in the consolidated statement of financial position and profit or loss
Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right of use	Lease liabilities
	SR	SR
At 1 January 2019	92,198,577	92,912,348
Amortization	(18,025,247)	—
Additions	273,809,339	384,966,888
Interest expense	—	1,973,429
Payments	(9,352,286)	(15,160,427)
At 31 December 2019	338,630,383	464,692,238

The Group recognized rent expense from short-term and low-value assets leases of SAR 563,760 for the year ended 31 December 2019.

c. The new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

3-1 New Standards adopted as at 1 January 2019 (continued)

IFRS 16 Leases (continued)

c. The new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application (continued)

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to some of its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. 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.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

IFRIC Interpretation 23 Uncertainty over income tax treatment
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

These amendments do not have any impact on the Group's consolidated financial statements.

3. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

3-1 New Standards adopted as at 1 January 2019 (continued)

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Group's consolidated financial statements.

3-2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretation, if applicable, when they become effective.

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

This amendment is effective for reporting periods beginning on or after 1 January 2020. The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

3. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

3-2 Standards issued but not yet effective (continued)

Amendments to IFRS 3: Definition of a Business

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

This amendment is effective for reporting periods beginning on or after 1 January 2020. The amendments to the definition of a business is not expected to have a significant impact on the Group's consolidated financial statements.

Revised Conceptual Framework for Financial Reporting

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

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

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of new standards set in (note 3-1).

Segment information

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

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

The Group is organized into following main business segments:

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

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

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

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

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

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

Revenues

Revenues arises mainly from providing training courses, school fees, communication service centers and education projects related to universities.

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.

To determine whether to recognize revenue, the group follows a 5 steps process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligation
5. Recognizing revenue as performance obligations are satisfied

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance cost.

Intangible assets (excluding goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development cost, are not capitalized and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit and loss when the asset is derecognized.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit and loss in the expense category consistent with the function of the intangible asset.

Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less impairment losses.

Property and equipment

Land
Land held for use in production and administration is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Buildings, furniture and other equipment
All other assets are recognized initially at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. These assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses if any.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of the buildings, furniture and other equipment. The following useful lives are applied:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories
Inventories comprise mainly books and educational curriculums distributed during courses. Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expense.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing with 90 days from the date of acquisition that are readily convertible to cash, and which are subject to an insignificant risk of change in value.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).
Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
• amortised cost
• fair value through profit or loss (FVTPL)
• fair value through other comprehensive income (FVOCI).

The classification is determined by both:
• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of other financial assets which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial instruments (continued)

Subsequent measurement of financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.
Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)
The Group accounts for financial assets at FVOCI if the assets meet the following conditions:
• they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets
IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Trade and other receivables
The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities
The Group's financial liabilities include overdraft, borrowings, trade and other payables and lease obligations.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Equity, reserves and dividend payments

Share Capital
Share Capital represents the nominal value of shares that have been issued. The Company's capital consists of 45 Million shares as at 31 Dec 2019 (31 December 2018: 45 Million shares) of SR 10 each.

Statutory reserve
In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net profit for the year till it has built up a reserve equal to 30% of the capital.

Foreign currency translation reserve
Foreign currency translation reserve used to convert the results of a parent Company's foreign subsidiaries to its reporting currency. This is a key part of the financial statement consolidation process.

Retained earnings
Retained earnings includes of all current and prior period retained profits.

Dividend payments
Cash or non-cash dividends to shareholders of the parent company are recognized as a liability when the distribution is approved. According to the Regulations for Companies in the Kingdom of Saudi Arabia, dividends are approved upon approval by shareholders. The dividend amount is directly deducted from equity and recognized as a liability.

Non-monetary dividends, if any, are measured at the fair value of the assets to be allocated and the fair value re-measurement is recognized directly in equity. When a non-cash asset is distributed, any difference between the carrying amount of the liability and the carrying amount of the asset is recognized in the consolidated statement of profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees end of service benefits
The Group operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

Provisions, contingent assets and contingent liabilities
Provision for warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Zakat and income tax
Zakat and income tax provision is calculated in accordance with the regulations of the General Authority of Zakat and income tax in the Kingdom of Saudi Arabia. Any differences in the estimate are recorded in the consolidated statement of profit or loss when the final assessment is approved, at which time the provision is cleared. Overseas subsidiaries provide for income tax liabilities, if any, in accordance with the regulations of the countries in which they operate. Zakat and income tax provision is charged to the consolidated statement of profit or loss.

Foreign currency transaction and balances
Foreign currency transactions are translated into Saudi Riyals entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant management judgment in applying accounting policies and estimation uncertainty
When preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurements of assets, liabilities, income and expenses.

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

a) **Provision for employees end of service benefits**
Management's estimate of the end of service benefits is based on a number of critical underlying assumptions such as anticipation of future salary increases, and discount rate used to convert future values. Variation in these assumptions may significantly impact the provision for end of service benefits and the expense.

b) **Provision**
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

c) **Useful lives of depreciable assets**
Management reviews its estimates of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets of the assets. Uncertainties in these estimates relates to technological obsolescence that may change utility of assets.

d) **Impairment of financial assets**
A provision for impairment in financial assets is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

e) **Impairment of non-financial assets and goodwill**
In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses the interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

f) **Inventories provision**
The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made and provide a provision for slow moving and obsolete inventory.

g) **Business combinations**
Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

h) **Fair value measurements**
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumption on observable data as far as possible, but this is not always available. In that case management used the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant management judgment in applying accounting policies and estimation uncertainty (continued)

i) **Classification of investments**
On acquisition of an investment, management has to decide whether it should be classified as "at fair value through profit or loss", "available for sale" or as "loans and receivables" in making that judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of profit or loss or directly in equity.

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

5. INTANGIBLE ASSETS, NET

	31 December 2019 SR	31 December 2018 SR
Goodwill (a)	32,321,592	32,525,652
Franchise rights and software (b)	8,396,408	7,204,945
	40,718,000	39,730,597

a) **Goodwill**
Goodwill is tested for impairment annually by management. According to the impairment test conducted by management as of 31 December 2019, the carrying amount of goodwill is less than its recoverable amount, except for goodwill of Franklin Covey's subsidiaries, which was reduced by SR 204,060 during the year (31 December 2018: SR 204,060) and Linguaphone, which was reduced by SR nil during the year (31 December 2018: SR 500,000). The recoverable amount is determined based on the present value based on the expected cash flows generated in the future financial budget approved by the Group's management.

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

	31 December 2019 SR	31 December 2018 SR
Cost:		
At the beginning of the year	17,001,741	14,821,350
Additions	1,983,205	2,180,391
At the end of the year	18,984,946	17,001,741
Accumulated amortization:		
At the beginning of the year	9,796,796	9,337,927
Additions	791,742	458,869
At the end of the year	10,588,538	9,796,796
Net book value	8,396,408	7,204,945

6. PROPERTY AND EQUIPMENT, NET

	*Lands	Buildings	Furniture, office equipment and tools	Leasehold improvement	Vehicles	Assets held under capital leases	Construction work in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost:								
At the beginning of the year	108,922,745	375,095,362	176,243,212	193,823,190	12,260,691	73,341,213	121,844,248	1,061,530,661
Additions	—	—	26,967,043	—	—	—	33,007,213	59,974,256
Disposal	(43,320,436)	(320,460,559)	(548,603)	—	—	—	—	(364,329,598)
At the end of the year	65,602,309	54,634,803	202,661,652	193,823,190	12,260,691	73,341,213	154,851,461	757,175,319
Accumulated depreciation:								
At the beginning of the year	—	41,031,902	110,488,271	81,830,144	11,318,797	9,776,398	—	254,445,512
Depreciation of the year	—	9,254,755	12,167,990	1,020,108	231,678	3,709,720	—	26,384,251
Disposals	—	(21,800,843)	(545,608)	—	—	—	—	(22,346,451)
At the end of the year	—	28,485,814	122,110,653	82,850,252	11,550,475	13,486,118	—	258,483,312
Net book value:								
At 31 December 2019	65,602,309	26,148,989	80,550,999	110,972,938	710,216	59,855,095	154,851,461	498,692,007

6. PROPERTY AND EQUIPMENT, NET (CONTINUED)

	*Lands	Buildings	Furniture, office equipment and tools	Leasehold improvement	Vehicles	Assets held under capital leases	Construction work in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost:								
At the beginning of the year	107,876,195	360,469,677	167,402,780	191,177,896	12,335,747	73,341,213	112,924,679	1,025,528,187
Additions	1,046,550	9,546,108	8,840,850	2,645,294	---	---	14,117,346	36,196,148
Disposal	---	(118,200)	(418)	---	(75,056)	---	---	(193,674)
Transfers	---	5,197,777	---	---	---	---	(5,197,777)	---
At the end of the year	108,922,745	375,095,362	176,243,212	193,823,190	12,260,691	73,341,213	121,844,248	1,061,530,661
Accumulated depreciation								
At the beginning of the year	---	32,052,702	102,445,648	81,072,815	11,151,142	6,086,903	---	232,809,210
Depreciation of the year	---	8,979,200	8,043,041	757,329	242,711	3,689,495	---	21,711,776
Disposals	---	---	(418)	---	(75,056)	---	---	(75,474)
At the end of the year	---	41,031,902	110,488,271	81,830,144	11,318,797	9,776,398	---	254,445,512
Net book value:								
At 31 December 2018	108,922,745	334,063,460	65,754,941	111,993,046	941,894	63,564,815	121,844,248	807,085,149

* Certain land parcels were pledged with several local banks against long-term loans (note 14).

Depreciation charge for the year has been allocated as follows:

	31 December 2019	31 December 2018
	SR	SR
Direct costs	22,955,754	20,523,148
General and administrative expenses (note 20)	3,428,497	1,188,628
	26,384,251	21,711,776

7. INVESTMENT IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2019 SR	31 December 2018 SR
Investments in equity (A)	14,004,000	18,930,188
Investments in fund (B)	255,067,412	---
At 31 December	269,071,412	18,930,188

A. The balance of investments in equity instruments at fair value through other comprehensive income as at 31 December 2019 represents the 14.7% (5,000 share) stake in NWHW Holdings Inc, a company registered in Delaware, USA. No dividends were received during the year ended 31 December 2019 and 2018.

	31 December 2019 SR	31 December 2018 SR
At 1 January	18,930,188	18,759,045
Change in fair value	(4,926,188)	171,143
At 31 December	14,004,000	18,930,188

The fair value has been determined based on the lowest level of significant inputs used in fair value measurement, as inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly and observable market data.

The Group has used most recent valuation report as at 31 December 2018, which has been prepared solely to determine the fair value of NWHW's common stock, on a non-marketable minority interest basis.

B. During the year, The Groups has acquired a 26.4 million units of Al Rajhi REIT. No dividends were received during the year ended 31 December 2019.

	31 December 2019 SR	31 December 2018 SR
Additions	232,359,547	---
Change in fair value	22,707,865	---
At 31 December	255,067,412	---

The fair value has been determined based on the lowest level of significant inputs used in fair value measurement, as inputs quoted prices (unadjusted) in active markets for identical assets or liabilities.

C. Change in fair value

	31 December 2019 SR	31 December 2018 SR
Balances at 1 January	171,143	---
Unrealized gain	22,707,865	171,143
Unrealized loss	(4,926,188)	---
At 31 December	17,952,820	171,143

8. CASH AND CASH EQUIVALENT

	31 December 2019	31 December 2018
	SR	SR
Balances at banks	172,778,486	34,721,784
Cash in hand	9,188,976	3,743,243
	181,967,462	38,465,027

9. ACCOUNTS RECEIVABLE, NET

	31 December 2019	31 December 2018
	SR	SR
Trade receivables	327,246,768	355,625,792
Allowance for impairment of other financial assets	(41,076,299)	(20,529,207)
Total	286,170,469	335,096,585

Included in trade accounts receivable are amounts totaling SR 240 million (31 December 2018: SR 291 million) due from government and quasi-government institution. in which balance of SR 116 million is due over one year as of 31 December 2019 (31 December 2018: SR 102 million). The Group's management believes the wholly collectability of these amounts. In the estimation of the Group's management, it is expected that uncollectible receivables will be collected. The Group does not obtain guarantees or collateral as security against these receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of revenues over a period of 3 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Movements in the allowance of impairment of other financial assets were as follows:

	31 December 2019	31 December 2018
	SR	SR
Balance at 1 January	20,529,207	14,762,386
Charge for the year	21,239,987	8,506,090
Amounts written off during the year	(692,895)	(2,739,269)
	41,076,299	20,529,207

The aging analysis of these trade receivable is as follows:

	31 December 2019	31 December 2018
	SR	SR
Past due but not impaired	140,238,796	156,666,697
4 to 12 months	63,433,859	69,045,033
1 to 2 years	44,478,208	55,634,019
2 to 3 years	38,769,065	31,032,411
Over 3 years	40,326,840	43,247,632
	327,246,768	355,625,792

10. OTHER CURRENT ASSETS

	31 December 2019	31 December 2018
	SR	SR
Prepaid expenses	103,266,115	50,120,174
Advances to suppliers	11,964,216	5,365,260
Employees receivables	4,081,527	4,361,954
Refundable deposits	1,776,108	1,775,701
Other receivables	7,267,222	2,211,110
	128,355,188	63,834,199

11. INVENTORY, NET

Inventory comprise mainly books and educational curriculums distributed during courses.

	31 December 2019	31 December 2018
	SR	SR
Inventories	14,376,994	14,077,632
Provision for obsolete and slow-moving inventory	(774,209)	(774,209)
	13,602,785	13,303,423

Movement in provision for obsolescence and slow-moving inventory is as follows:

	31 December 2019	31 December 2018
	SR	SR
At 1 January	774,209	774,209
At 31 December	774,209	774,209

12. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties of the Group include shareholders, Board of Directors, key management personnel and entities of which they are principal owners.

The terms of the transactions with related parties are approved by the Group's management. Transactions with related parties are entered in the normal course of the Group's business. These balances are expected to be settled in the normal course of business. Pricing policies and terms of these transactions are at arm's length.

The Group's related parties' transactions and balances are as follows:

Related parties' transactions:

Related party	Nature of transactions	31 December 2019	31 December 2018
		SR	SR
Companies owned by directors	Rent as lessee	900,000	945,000
	Rent as lessor	1,366,000	2,866,000
Key management remuneration			
Board of directors	Bonuses	900,000	900,000
	Allowances	111,375	89,625
Short-term benefits:			
Salaries including bonuses	Salaries and bonuses	12,390,196	12,448,651
Post-employment benefits:			
Termination benefits	End of service	8,430,952	5,446,951

12. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

Related parties' balances:

	31 December 2019	31 December 2018
	SR	SR
a. Due from related parties		
Companies owned by directors	**1,430,809**	415,405
b. Due to related parties		
Companies owned by directors	**2,658**	1,968,594

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 year ended 31 December 2019, 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.

13. SHARE CAPITAL

The Company's capital consists of 45 Million shares as at 31 December 2019 (31 December 2018: 45 Million shares) of SR 10 each.

14. TERM LOANS

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

	Shariah	Shariah	Shariah	Shariah	Shariah	Shariah	Shariah	
	Riyadh Bank	Arab National Bank	Saudi British Bank	Al Rajhi Bank	National Commercial Bank	Banque Saudi Fransi	Al Inma Bank	Total
	SR	SR	SR	SR	SR	SR	SR	SR
31 December 2019								
Short-term	**140,000,000**	**70,000,000**	**8,000,000**	**20,000,000**	**20,000,000**	**31,993,901**	**35,000,000**	**324,993,901**
Long-term:								
Current	---	**17,142,857**	---	**7,441,557**	—	—	---	**24,584,414**
Non current	---	**85,714,286**	---	**12,830,298**	—	---	---	**98,544,584**
	---	**102,857,143**	---	**20,271,855**	---	---	—	**123,128,998**
Total	**140,000,000**	**172,857,143**	**8,000,000**	**40,271,855**	**20,000,000**	**31, 993,901**	**35,000,000**	**448,122,899**
31 December 2018								
Short-term	77,206,428	105,000,000	8,000,000	20,000,000	20,000,000	59,252,574	—	289,459,002
Long-term:								
Current	---	41,120,000	---	3,596,619	---	---	—	44,716,619
Non current	---	112,861,000	---	23,966,670	---	---	---	136,827,670
	---	153,981,000	---	27,563,289	---	---	---	181,544,289
Total	77,206,428	258,981,000	8,000,000	47,563,289	20,000,000	59,252,574	---	471,003,291

15. LEASE OBLIGATIONS

The obligations resulting from the acquisition of assets through finance and operating leases 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 December 2015, the sale of a newly constructed management building in Al-Ghadeer area in Riyadh, the cost of which is approximately SR 58.9 million, to Manafe' Holding Company, at a selling price of SR 75 million, in order to finance the Group's expansion in educational projects. The Group then leased back the building for 20 years ending in the year 2034. Gain from the sale transaction, amounting to approximately SR 16 million, was deferred in accordance with the requirements of the Standard of Accounting for Leases issued by the Saudi Organization for Certified Public Accountants, and will be recognized in subsequent periods in correlation with depreciation as the leaseback was classified as a finance lease. During the year 2016 the rental value of the land for the building was separated and classified as an operating lease (with present value of SR 48.7 million). In the consolidated statement of profit or loss the Group recognized an amount of SR 803,748 as gain from sale of the building (31 December 2018: SR 803,748).

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.

d) Three schools leased in Dammam and Riyadh on 23 December 2019, the Group has signed a sale and leaseback contract with Al Rajhi Capital Fund, to lease Dammam Schools, Moghrazat Schools and Sahafa Schools for 15 years.

e) Right of use assets obligations.

The details of lease obligations are as follows:

	Computers	Buildings	Right of use assets	Total
	SR	SR	SR	SR
31 December 2019				
Non-current	---	40,036,143	434,742,014	474,778,157
Current	---	4,503,617	29,950,224	34,453,841
Total	---	44,539,760	464,692,238	509,231,998

	Computers	Buildings	Right of use assets	Total
	SR	SR	SR	SR
31 December 2018				
Non-current	452,190	57,580,003	78,399,237	136,431,430
Current	323,165	2,146,524	14,513,111	16,982,800
Total	775,355	59,726,527	92,912,348	153,414,230

15. LEASE OBLIGATIONS (CONTINUED)

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

	Buildings	Right of use assets	Total
	SR	SR	SR
2020	7,032,294	23,889,124	**30,921,418**
2021	7,211,889	29,045,165	**36,257,054**
2022 and after	25,791,960	381,807,725	**407,599,685**
Total	40,036,143	434,742,014	**474,778,157**

<u>Operating lease as lessor</u>
Operating rent income amounted to SR 5,021,257 were recognized in the consolidated statement of profit or loss during the year (31 December 2018: SR 4,259,687).

16. 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 year is based on actuarial assumptions:

	31 December 2019	31 December 2018
	SR	SR
Balance at 1 January	**53,965,487**	47,515,089
Cost of service and interest	**15,897,132**	14,970,833
Actuarial loss	**6,316,000**	1,349,000
Paid during the year	**(20,165,487)**	(9,869,435)
	56,013,132	53,965,487

Actuarial assumptions	31 December 2019	31 December 2018
	SR	SR
Financial assumptions		
Discount rate	**4.40%**	5.40%
Salary increase rate	**1.25%**	1.97%
Demographic assumptions		
Employee turnover rate	**40%**	25%

Sensitivity analysis	31 December 2019	31 December 2018
	SR	SR
Discount rate +1%	**(50,031,000)**	(47,718,000)
Discount rate -1%	**(56,605,000)**	(54,563,000)
Salary increase rate +1%	**(56,684,000)**	(54,653,000)
Salary increase rate -1%	**(49,913,000)**	(47,585,000)
Employee turnover rate +1%	**(53,357,000)**	(51,218,000)
Employee turnover rate -1%	**(52,767,000)**	(50,493,000)

17. TRADE AND OTHER PAYABLES

	31 December 2019 SR	31 December 2018 SR
Trade payable	23,397,048	11,527,814
Accrued expenses	56,849,732	48,791,655
Value added tax payable	26,255,837	---
Advances from customers	5,882,944	16,151,570
Other	7,238,693	5,847,501
	119,624,254	82,318,540

18. ZAKAT AND INCOME TAX PAYABLE

a) The Group's zakat expense for the year amounted SR 2,675,299 (31 December 2018: SR 1,317,563) is the Zakat payable of Al Khaleej Training and Education Company. Zakat provision for the year is calculated according to the following basis:

	31 December 2019 SR	31 December 2018 SR
Equity	547,153,835	543,187,776
Opening provisions, loans and other adjustments	577,531,994	428,506,991
The carrying amount of long-term assets	(1,105,859,856)	(961,064,772)
	18,825,973	10,629,995
Profit for the year subject to zakat	88,185,987	44,170,463
Zakat bases	107,011,960	54,800,458

The differences between the financial and zakat results are mainly due to the allowance that is not permitted when calculating the income subject to zakat.

b) The Zakat movement during the year ended 31 December was as follows:

	31 December 2019 SR	31 December 2018 SR
At the beginning of the year	2,731,086	16,278,615
Charge for the year	2,675,299	1,317,563
Paid during the year	(2,798,525)	(14,865,092)
At the end of the year	2,607,860	2,731,086

c) The Group had submitted its consolidated zakat declarations for all years up to 2018 and paid zakat obligations accordingly. The zakat was approved by the General Authority of Zakat and Income Tax (GAZT) for all years until 2006. Consequently, GAZT reviewed the Groups' declarations for the years from 2007 to 2014, resulting in a final assessment of SR 12,892,229. The amount was paid during the year 2018, however, the Group is still in disagreement with GAZT on an amount of SR 2,862,337. The Zakat declarations for the years 2015, 2016 and 2017 are still under review by the GAZT.

The Group has obtained zakat certificate valid until 7 Ramadan 1441H (corresponding to 30 April 2020G).

19. SELLING AND MARKETING EXPENSES

	31 December 2019 SR	31 December 2018 SR
Staff cost	30,061,120	27,978,219
Advertising	8,665,665	8,065,231
Rent	2,224,901	2,070,740
Printing and publication	1,070,438	996,269
Gifts	590,899	549,956
Other	2,127,069	1,979,687
	44,740,092	41,640,102

20. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019 SR	31 December 2018 SR
Staff cost	41,624,235	43,132,994
Rent	1,645,265	1,704,902
Professional fees and consultations	1,840,374	1,907,082
Depreciation (note 6)	3,428,497	1,188,628
Board of directors' compensation	900,000	900,000
Other	1,222,061	1,266,357
	50,660,432	50,099,963

21. OTHER INCOME, NET

	31 December 2019 SR	31 December 2018 SR
Rental income	5,021,257	4,529,687
Gain/(loss) from sale of property and equipment	27,230,191	(118,200)
Deferred gain from sale of property and equipment	803,748	803,748
Other	—	303,314
	33,055,196	5,518,549

22. CONTINGENCIES AND COMMITMENTS

Contingent liability

The Group's banks issued, on its behalf and during its normal course of business bank guarantees amounted to SR 73 million as at 31 December 2019 (31 December 2018: SR 102 million).

Capital commitment

The capital commitment as at the consolidated statement of financial position date represents the value of the non-performing portion of the capital contracts entered by the Group's schools and buildings amounted to SR 8 million (31 December 2018: SR 16 million).

23. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Parent Company by the weighted average number of common shares during the year. 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 year.

	31 December 2019 SR	31 December 2018 SR
Profit for the year	**59,466,935**	32,357,877
Weighted average number of ordinary shares	**45,000,000**	45,000,000
Earnings per share	**1.32**	0.72

24. SEGMENT INFORMATION

	Computer SR	*Language* SR	*Financial and management training* SR	*Communication center* SR	*Universities* SR	*Schools ** SR	*Total* SR
31 December 2019							
Revenues	131,426,583	64,620,691	82,203,430	364,994,344	93,860,829	127,085,150	864,191,027
Depreciation and amortization	5,264,187	2,834,562	1,738,268	3,991,865	169,426	13,177,685	27,175,993
Profit before zakat and income tax	30,611,562	1,666,897	6,773,355	8,007,581	949,092	18,937,513	66,946,000
Total assets	224,266,380	120,758,820	71,376,803	339,069,725	61,454,058	964,400,384	1,781,326,170
Total liabilities	4,072,329	2,192,792	52,224,822	93,169,402	60,526,947	939,435,697	1,151,621,989
Other:							
Capital expenditure	9,803,090	5,278,587	3,143,390	23,579,090	474,776	255,730,410	298,009,343
31 December 2018							
Revenues	106,561,791	69,104,950	98,311,095	335,122,504	84,653,118	108,763,147	802,516,605
Depreciation and amortization	3,100,883	1,938,052	1,477,097	4,479,527	2,713,272	8,461,813	22,170,644
Profit before zakat and income tax	8,741,954	1,953,140	9,284,832	16,735,847	4,006,081	(5,057,481)	35,664,373
Total assets	232,302,857	126,924,501	61,178,028	304,182,333	57,422,294	642,416,067	1,424,426,080
Total liabilities	35,015,898	33,385,380	35,016,935	72,449,106	56,578,815	636,355,294	868,801,428
Other:							
Capital expenditure	7,841,358	4,425,460	952,045	6,549,898	511,373	15,916,014	36,196,148

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.

* Schools incurred a loss from operating activities amounting of SR 8,385,333 for the year ended 31 December 2019. However, the Schools segment profit before zakat and tax includes capital gain generated from sale of property and equipment amounting of SR 27,322,846.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Financial assets of the Group consist of cash and cash equivalent, accounts receivable, unbilled revenues and investment in equity instruments at fair value through other comprehensive income. Financial liabilities of the Group consist of banks overdraft, term loans, finance lease obligations and trade payable.

Classification of financial instruments

	31 December 2019 SR	31 December 2018 SR
FINANCIAL ASSETS		
Financial assets at fair value through other comprehensive income		
Investment in equity instruments at fair value through other comprehensive income	269,071,412	18,930,188
Financial assets at amortized cost		
Cash and cash equivalent	181,967,462	38,465,027
Accounts receivable, net	286,170,469	335,096,585
Unbilled revenues	22,687,655	15,366,930
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost		
Long-term loans	98,544,584	136,827,670
Finance lease obligations	474,778,157	136,431,430
Banks overdraft	3,561,090	90,138,354
Short-term loans	324,993,901	289,459,002
Current portion of long-term loans	24,584,414	44,716,619
Current portion of finance lease obligations	34,453,841	16,982,800
Trade payable	23,397,048	11,527,814

Risk management

The main financial risks arising from the Group's financial instruments are credit risk, liquidity risk and fair value risk. Management reviews and reconciles policies to manage these risks.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade and other accounts receivable are mainly due from large number of customers (corporations and individuals) as well as government institutions. The Group limits its credit risk to customers by setting a credit limit for each customer and monitoring outstanding accounts. Trade and other receivable are stated at their estimated realizable values.

Interest rate risk

Interest rate risk are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risk arise mainly from short term bank debts and long term debts and finance lease obligations, which are at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. Management monitors the changes in interest rates on a regular basis.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk management (continued)

Interest rate risk (continued)

Interest rate sensitivity:

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2019, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 1% (31 December 2018: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Effect on profit for the year	
	+1%	-1%
	SR	SR
31 December 2019	**(9,573,549)**	**9,573,549**
31 December 2018	(7,145,559)	7,145,559

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi riyal, United States dollar, Pound Sterling, Egyptian Pound and Arab Emirate Dirham. Other transactions in foreign currencies are not material. Currency risk is managed on regular basis.

The Group operates internationally and is exposed to currency risk arising from exposure to different currencies. The Group also has investments in subsidiaries and associates whose net assets are exposed to currency risk. These risks are currently reflected in currency exchange rate fluctuations between the Saudi Riyal, the UAE Dirham, the Pound Sterling, Egyptian Pound and the US Dollar. The exchange rate fluctuation between Saudi riyal, the UAE dirham and the pound are recorded in a separate line item in equity in the consolidated financial statements.

Foreign currency sensitivity:

Most of the Group's transactions are carried out in Saudi Riyals (SR). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US dollars (USD), Pounds Sterling (GBP), Egyptian Pound (EGP) and UAE dirham (AED).

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences between carrying amount and fair value estimates may arise. The definition of fair value is market-based measurement and assumptions used by market participants.

Assets and liabilities measured at fair value in the 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.

31 December 2019	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS	**SR**	**SR**	**SR**	**SR**
Investment in equity instruments at fair value through other comprehensive income	255,067,412	14,004,000	—	269,071,412
Cash and cash equivalent	181,967,462	—	—	181,967,462
Accounts receivable, net	286,170,469	—	—	286,170,469
Unbilled revenues	22,687,655	—	—	22,687,655
FINANCIAL LIABILITIES				
Long-term loans	98,544,584	—	—	98,544,584
Finance lease obligations	474,778,157	—	—	474,778,157
Banks overdraft	3,561,090	—	—	3,561,090
Short-term loans	324,993,901	—	—	324,993,901
Current portion of long-term loans	24,584,414	—	—	24,584,414
Current portion of finance lease obligations	34,453,841	—	—	34,453,841
Trade payables	23,397,048	—	—	23,397,048

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2018	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS	SR	SR	SR	SR
Investment in equity instruments at fair value through other comprehensive income	---	18,930,188	---	18,930,188
Cash and cash equivalent	38,465,027	---	---	38,465,027
Accounts receivable, net	335,096,585	---	---	335,096,585
Unbilled revenues	15,366,930	---	---	15,366,930
FINANCIAL LIABILITIES				
Long-term loans	136,827,670	---	---	136,827,670
Finance lease obligations	136,431,430	---	---	136,431,430
Banks overdraft	90,138,354	---	---	90,138,354
Short-term loans	289,459,002	---	---	289,459,002
Current portion of long-term loans	44,716,619	---	---	44,716,619
Current portion of finance lease obligations	16,982,800	---	---	16,982,800
Trade payables	11,527,814	---	---	11,527,814

27. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

a. To ensure the Group's ability to continue as a going concern.
b. To provide an adequate return to shareholders by pricing products and services in a way that reflect the level of risk included in providing those goods and services.

The group goal in capital management is to maintain a high capital to overall financing ratio. Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

28. GENERAL ASSEMBLY RESOLUTION

The general assembly has agreed on the following recommendations of the board of directors in its meeting held on 23 Sha'ban 1440 H (corresponding to 28 April 2019), to award bonus to the board members with total amount of SR 900,000 for the year ended 31 December 2018

29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified where necessary for better presentation; however, other than the impact of application IFRS 16 mentioned in note 3-1 to the consolidated financial statements above, no significant reclassifications have been made.

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors has approved the consolidated financial statements on 1 Sha'ban 1441H (corresponding to 25 March 2020G).