  

Annual Report September 2013

الشركة الأولى للتعليم
First Education Company

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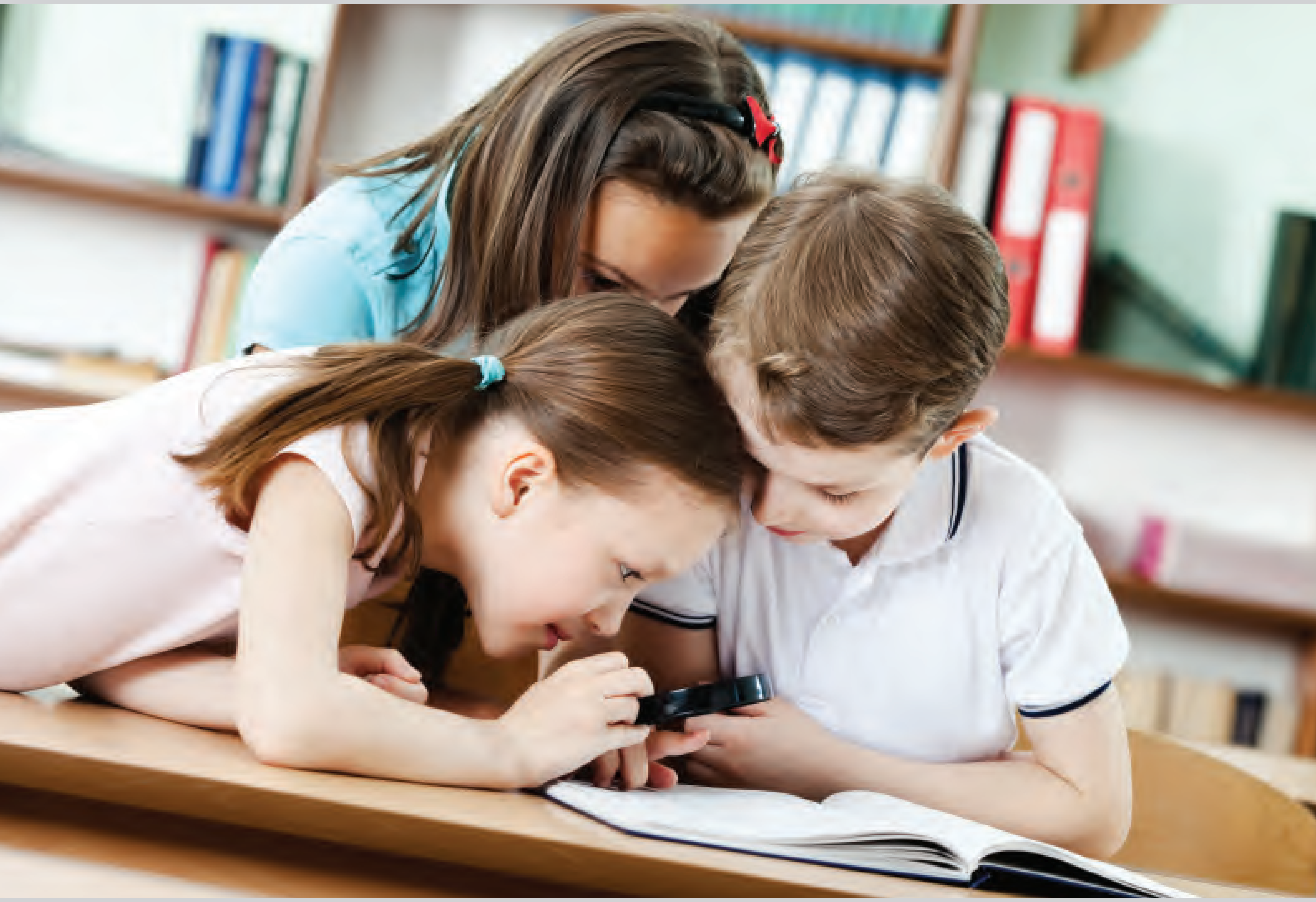
بسم الله الرحمن الرحيم

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince



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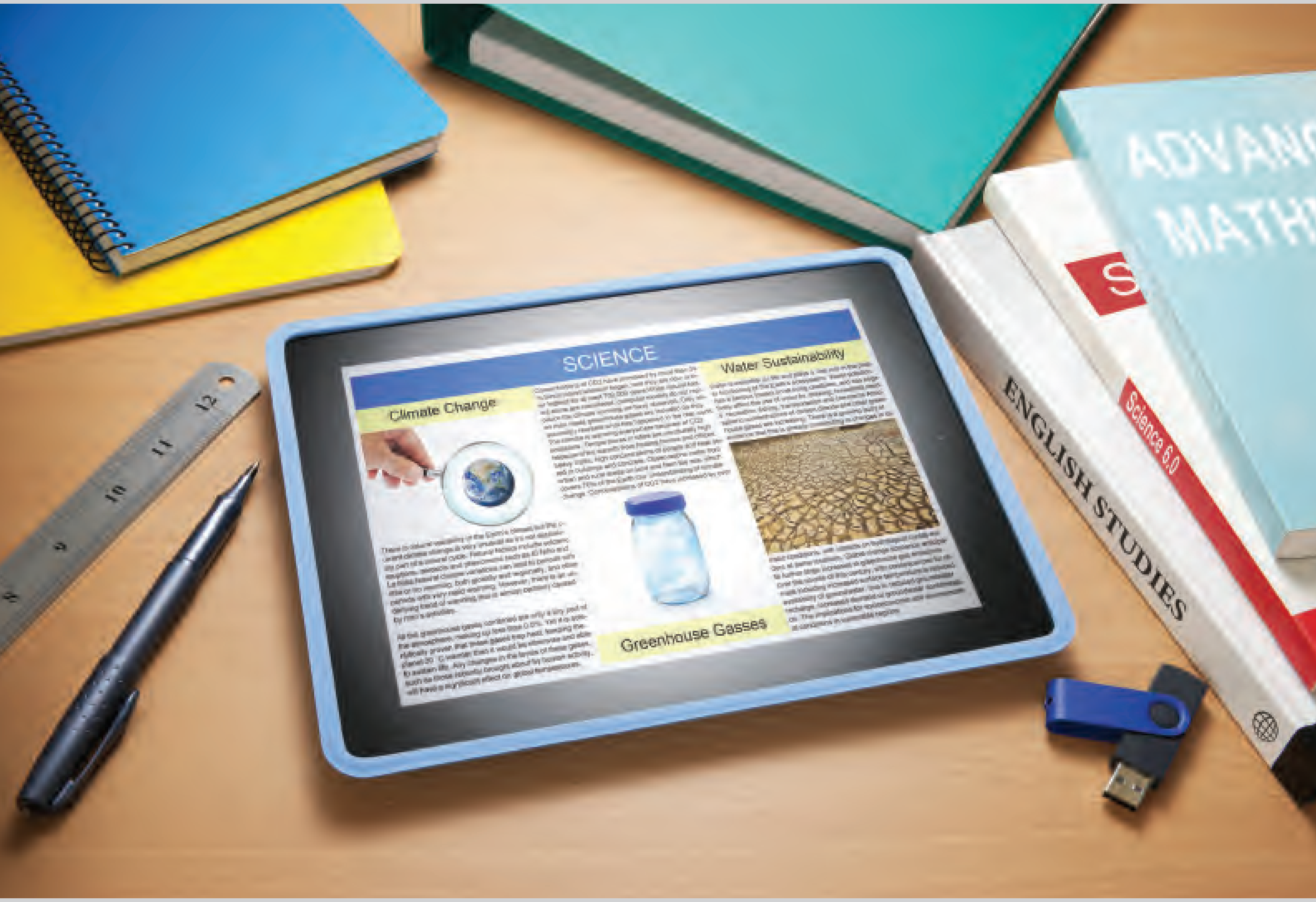
SCIENCE
Climate Change
Water Sustainability
Greenhouse Gasses
ENGLISH STUDIES
Science 6.0

BOARD MEMBERS

Tariq A. Al-Adsani
Chairman and Managing Director

Omar S. Al-Mutawa
Vice Chairman

Nasser S. Al-Saleh
Board member

Hamid A. Al-Wazzan
Board member

Jayantha Premasekera
Board member

Mousaed A. Al-Kadi
Board member

Reem M. Badran
Board member

Board of Directors' Report

Dear Shareholders,,,

Peace and Allah's mercy and blessings be upon you,,,

The Board of Directors is pleased to welcome you to the seventh meeting of the Ordinary Annual General Assembly of your esteemed company to provide you with the Board of Directors' report about the results of the company and its activities as at 30/09/2013 and its future plans.

Since it was established, the First Education Company aims at providing excellent educational services to meet the needs of the local community. The Company, since its inception, has been keen to contribute to the establishment of private educational entities of high quality that would contribute to upbringing a generation of well-qualified educated persons with positive contributions in the community.

2012 and the first nine months of 2013 have witnessed the Board of Directors' continuous efforts to pursue the progress of the company's investments. In Kuwait, Al-Resalah Bilingual School witnessed (owned by Al Kalima Al Tayyeba Company – one the company's investments), a remarkable growth of 40% in terms of the number of students, something which increased net profit by more than twice compared to the previous period. Al Nibras International Bilingual School also (owned by Integrated Curricula for Educational Services Company - one of the company's investments) has achieved growth in terms of the number of students which increased by 28 % and the net profit of the company also rose by more than twice during the previous period.

It also began the construction work for the campus of the University of Science and Technology in the area of Doha in Kuwait and is expected to be completed by early 2016. In the Kingdom of Bahrain the Kingdom University has been able to complete the new building for the University and achieve remarkable p rogress in the file of Quality Assurance Authority, in Kingdom of Bahrain, which allowed the University to re-open registration for new students. The university is expected to get the land from the state in order to establish a campus thereon.

The company's Revenues for the reporting period from January 2012 to September 2013 (21 months) amounted to KD 928,733, a decrease of 1% from the fiscal year 2011 (12 months), taking into account the income of more than KD 850,000 resulting from the

write back of credit losses due to settlement of Wakala Receivables in the previous year. The expenses of the company have increased by 48 % to KD 378,022 due to the difference in duration between the reporting periods. The net profit of the company at the end of the reporting period amounted to KD 543,711 compared to KD 675,065 for the fiscal year 2011, decreased by 19%. The Board of Directors has submitted a recommendation to the Annual General Assembly not to distribute cash dividends and to disburse cash remuneration amounting of Kuwaiti Dinars thousand for each member of the Board of Directors in recognition of their efforts for the past period.

As for future projects, the company is in process of establishing a series of nursery schools in the United Arab Emirates in collaboration with a strategic partner who has experience in this area. The company is studying the opportunity to establish a school in the State of Kuwait as well. Further the company seeks to dispose-off a number of non-performing investments in the coming period and replace it with feasible educational opportunities in the GCC countries.

In conclusion, we would like to extend our sincerest thanks and appreciation to all employees of the company at all administrative and technical levels for the devoted efforts they have exerted in accomplishing what we have achieved, thanks to Allah Almighty, and we wish all shareholders permanent prosperity and success, Allah willing.

Tariq Abdul-Wahab Al-Adsani

Chairman of the Board Director and
Managing Director

First Education Company K.S.C. (Closed)
and its Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST EDUCATION COMPANY K.S.C. (CLOSED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of First Education Company K.S.C. (Closed) (the "Parent Company") and its subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position as at 30 September 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 January 2012 until 30 September 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST EDUCATION COMPANY K.S.C. (CLOSED) (continued)

Report on the Consolidated Financial Statements (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 September 2013, and of its financial performance and its cash flows for the period from 1 January 2012 until 30 September 2013 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the period from 1 January 2012 until 30 September 2013 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI

LICENCE NO. 68 A

EY

AL AIBAN, AL OSAIMI & PARTNERS

18 February 2014

Kuwait

First Education Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED INCOME STATEMENT
For the period from 1 January 2012 to 30 September 2013

	Notes	*(21 months) 30 September 2013* KD	*(12 months) 31 December 2011* KD
INCOME			
Net investment income (loss)	4	**31,756**	(22,188)
Share of results of associates	7	**142,545**	(23,896)
Dividend income		**325,222**	127,386
Write back of impairment for credit losses	5	**390,000**	852,246
Other income		**39,210**	3,689
		928,733	937,237
EXPENSES			
Impairment of other receivables		**(45,975)**	(31,422)
Staff costs		**(157,212)**	(106,784)
Depreciation		**(25,391)**	(27,660)
Administrative expenses		**(149,444)**	(89,306)
		(378,022)	(255,172)
PROFIT BEFORE ZAKAT AND DIRECTORS' REMUNERATION		**550,711**	682,065
Zakat		**(9,596)**	-
Directors' remuneration	12	**(7,000)**	(7,000)
PROFIT FOR THE PERIOD/year ATTRIBUTABLE TO THE PARENT COMPANY		**534,115**	675,065

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2012 to 30 September 2013

	(21 months) 30 September 2013	*(12 months) 31 December 2011*
	KD	*KD*
Profit for the period/year	**534,115**	675,065
Other comprehensive income		
Other comprehensive income to be reclassified to consolidated income statement in subsequent periods :		
- Financial assets available for sale:		
Change in fair value of financial assets available for sale	**608,857**	15,132
- Share of other comprehensive (loss) of associates	**-**	(11,704)
- Exchange differences on translation of foreign operations	**26,268**	23,169
Other comprehensive income for the period/year	**635,125**	26,597
Total comprehensive income for the period/year	**1,169,240**	701,662

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2013

	Notes	2013 KD	2011 KD
ASSETS			
Non-current assets			
Furniture and equipment		**23,869**	40,415
Properties under development		**908,668**	917,735
Financial assets available for sale	6	**4,759,354**	4,065,997
Investment in associates	7	**5,376,897**	5,411,929
		11,068,788	10,436,076
Current assets			
Financial assets at fair value through income statement	8	**1,595,119**	1,705,351
Other assets	9	**125,163**	2,061,039
Bank balances and cash		**2,850,335**	246,048
		4,570,617	4,012,438
TOTAL ASSETS		**15,639,405**	14,448,514
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**15,000,000**	15,000,000
Statutory reserve	11	**222,342**	222,342
Cumulative changes in fair value reserve		**1,465,457**	856,600
Foreign currency translation reserve		**130,296**	104,028
Accumulated losses		**(1,317,140)**	(1,851,255)
Total equity		**15,500,955**	14,331,715
Non-current liability			
Employees' end of service benefits		**6,601**	6,591
Current liability			
Accounts payable and accruals		**131,849**	110,208
Total liabilities		**138,450**	116,799
TOTAL EQUITY AND LIABILITIES		**15,639,405**	14,448,514

Tareq A. Al-Adsani
Chairman and Managing Director

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 January 2012 to 30 September 2013

	Share capital	*Statutory reserve*	*Cumulative changes in fair value reserve*	*Foreign currency translation reserve*	*Accumulated losses*	*Total Equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
As at 1 January 2012	15,000,000	222,342	856,600	104,028	(1,851,255)	14,331,715
Profit for the period	-	-	-	-	534,115	534,115
Other comprehensive income for the period	-	-	608,857	26,268	-	635,125
Total comprehensive income for the period	-	-	608,857	26,268	534,115	1,169,240
At 30 September 2013	**15,000,000**	**222,342**	**1,465,457**	**130,296**	**(1,317,140)**	**15,500,955**
As at 1 January 2011	15,000,000	222,342	853,172	80,859	(2,526,320)	13,630,053
Profit for the year	-	-	-	-	675,065	675,065
Other comprehensive income for the year	-	-	3,428	23,169	-	26,597
Total comprehensive income for the year	-	-	3,428	23,169	675,065	701,662
At 31 December 2012	15,000,000	222,342	856,600	104,028	(1,851,255)	14,331,715

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period from 1 January 2012 to 30 September 2013

	Notes	(21 months) 30 September 2013 KD	(12 months) 31 December 2011 KD
OPERATING ACTIVITIES			
Profit for the period/year		**534,115**	675,065
Adjustments for:			
Provision /(write back) for employees' end of service benefits		**5,245**	(7,625)
Realised (gain) loss on sale of financial assets at fair value through income statement	4	**(4,224)**	3,548
Unrealised (gain) loss on financial assets at fair value through income statement	4	**(27,532)**	18,640
Share of results of associates	7	**(142,545)**	23,896
Dividend income		**(325,222)**	(127,386)
Write back of provision for credit losses	5	**(390,000)**	(852,246)
Impairment of other assets		**45,975**	31,422
Depreciation		**25,391**	27,660
		(278,797)	(207,026)
Working capital changes			
Other assets		**2,279,901**	138,919
Financial assets at fair value through income statement		**141,988**	117,824
Accounts payable and accruals		**21,641**	6,720
Cash flows used in operating activities		**2,164,733**	56,437
Employee's end of service benefits paid		**(5,235)**	-
Net cash flows from operating activities		**2,159,498**	56,437
INVESTING ACTIVITIES			
Dividend income received		**325,222**	127,386
Purchase of furniture and equipment		**(8,845)**	(20,302)
Purchase of properties under development		**-**	(13,693)
Purchase of financial assets available for sale		**(332,000)**	-
Proceed from sale of financial assets available for sale		**247,500**	-
Purchase of investment in associates	7	**-**	(354,618)
Dividend received from associates		**180,000**	-
Net cash flows from (used in) investing activities		**411,877**	(261,227)
Net foreign exchange difference		**32,912**	(5,913)
NET INCREASE (DECREASE) IN BANK BALANCE AND CASH		**2,604,287**	(210,703)
Bank balances and cash at the beginning of the period/year		**246,048**	456,751
BANK BALANCES AND CASH AT THE END OF THE PERIOD/YEAR		**2,850,335**	246,048

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2013

1 CORPORATE INFORMATION

The consolidated financial statements of First Education Company K.S.C. (Closed) (the "Parent Company") and its subsidiary (collectively, the "Group") for the twenty one months period ended 30 September 2013 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 18 February 2014. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti shareholding company registered and incorporated in Kuwait on 20 December 2005. The registered office of the Parent Company is at P.O. Box 20389, Safat 13063, Kuwait.

The principal activities of the Group comprise the following:
- Constructing and managing local and private universities, schools, institutes and training centres
- Constructing and managing other activities related to the education process (students accommodations, restaurants, libraries, etc.)
- Investing excess resources in investment portfolios that are managed by specialised companies inside or outside Kuwait.

All activities of the Group are carried out in compliance with the Islamic Sharia.

The consolidated financial statements of the Parent Company covers a period of 21 months (from 1 January 2012 to 30 September 2013) as the fiscal year of the Parent Company was changed from 31 December to 30 September to match with the academic study year. The change in the fiscal year of the Parent Company was approved by the Shareholders' General Assembly meeting held on 28 June 2012.

The New Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013 . As per article three of the Executive Regulations, the companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through income statement and financial assets available for sale that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars which is also the functional currency of the Parent Company.

First Education Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2013

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as
at 30 September 2013.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of
the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.2 BASIS OF CONSOLIDATION (continued)

Details of the subsidiary is as follows

Name of the company	*Country of incorporation*	*Principal activities*	*Equity interest %*	
			2013	2011
Saudi Kuwaiti Education & Training Company Limited	Saudi Arabia	Educational services	**95%**	95%

An insignificant holding of shares are held by a nominee who has confirmed in writing that the Parent Company has the beneficial ownership interest in the subsidiary through a letter of assignment.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following amended IASB Standards:

During the year, the Parent Company has adopted the following amended IFRS as of 1 January 2012:

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Parent Company's consolidated financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Parent Company's consolidated financial position or performance.

Other amendments to IFRS effective as of 1 January 2012 did not have any impact on the financial position or performance of the Parent Company.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB standards and interpretations relevant to the Parent Company have been issued but are not yet mandatory, and have yet not been adopted by the Parent Company:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, revaluation of land and building) would be presented separately from items that will never be reclassified (for example net gain or loss on available for sale investments). The amendment affects presentation only and there no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off".

First Education Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2013

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Parent Company's consolidated financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments are not expected to have a significant impact the Parent Company's consolidated financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Parent Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 – Consolidated Financial Statements
IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The application of the standard does not have an impact on the financial position of the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-2.4

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

monetary Contributions by venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of the standard does not have an impact on the financial position of the Group.

IFRS 12 – Disclosure of Involvement with Other Entities
IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to disclose information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of the consolidated entities. The Group will provide additional disclosures in the annual consolidated financial statements.

IFRS 13 – Fair Value measurement
IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Dividend income
Dividend income is recognised when the Group's right to receive payment is established.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% of taxable profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Zakat is calculated at 1% of the profit of the Parent Company in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007.

Foreign currency translation
The Group's consolidated financial statements are presented in Kuwaiti Dinar, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

First Education Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

ii) Group companies
The assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statement of income are translated at weighted average rate for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets
Initial recognition and subsequent measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through income statement, loans and receivables, held-to-maturity investments and Financial assets available for sale. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through income statement.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, other assets, financial assets at fair value through income statement and financial assets available for sale.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through income statement
These are financial assets that are either financial assets held for trading or those designated as at fair value through income statement upon initial recognition. A financial asset is classified in this category only if they are acquired principally for the purpose of generating profit from short-term fluctuation in price or if so designated by the management in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Financial assets at fair value through income statement (continued)
Financial assets classified as investments at fair value through income statement are subsequently measured and carried at fair value. Resultant unrealised gains and losses arising from changes in fair value are included in the consolidated income statement.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through income statement using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Financial assets available for sale
Financial assets available for sale are those financial assets that are not classified as financial assets at fair value through income statement or held for trading.

After initial recognition, Financial assets available for sale are measured at fair value with unrealised gains and losses recognised in the consolidated statement of other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement and removed from the available-for-sale reserve. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

The Group evaluates whether the ability and intention to sell its Financial assets available for sale in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to consolidated income statement over the remaining life of the investment using the effective interest rate (EIR) method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Reclassification from Financial assets available for sale to investment in associates is made upon acquisition of significant influence over the investment. Such transfer is made at original cost and any gain or loss previously classified in cumulative changes in fair value reserve is reversed to bring the carrying value to its original cost.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Loans and receivables comprises of other assets are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive the cash flows from the asset have expired
- the Group has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all of the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Impairment of financial assets
An assessment is made at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the consolidated income statement.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets (continued)

Loans and receivables
Loans and advances are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated income statement.

Financial assets available for sale
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of Financial assets available for sale is impaired.

In the case of equity investments classified as Financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those Financial assets available for sale previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iii) Financial liabilities
Initial recognition and subsequent measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include accounts payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Accounts payable
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iv) Offsetting of financial instruments

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

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note (14).

Investment in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, investment in associates is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. The Group recognises in the consolidated income statement its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's income statement. The Group's share of those changes is recognised in statement of comprehensive income.

Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The reporting dates of the associates and the Group are identical and in case of different reporting date of associate from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for the like transactions and events in similar circumstances.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated income statement reflects the Group's share of results of operations of the associates. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as 'impairment loss' in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the consolidated income statement.

Properties under development
Properties under development are stated at cost less any impairment. The carrying values of properties under development are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Such properties will be reclassified, after completion of construction and development, as owner occupied properties.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement,* is measured at fair value with changes in fair value recognised either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the net identifiable assets acquired and liabilities

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units (CGU's) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Impairment of non-financial assets
The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the group estimates the assets' or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Goodwill
Goodwill is tested for impairment annually as at 31 August and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU's) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
The Group provides end of service benefits to its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as at fair value through income statement or available for sale.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as fair value through income statement.

All other financial assets are classified as available for sale.

Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

Judgments (continued)

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of investment in associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Impairment of investments
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Valuation of unquoted investments
Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

4 NET INVESTMENT INCOME (LOSS)

	(21 months) 30 September 2013 KD	*(12 months) 31 December 2011 KD*
Realised gain (loss) on sale of financial assets at fair value through income statement	**4,224**	(3,548)
Unrealised gain (loss) on financial assets at fair value through income statement	**27,532**	(18,640)
	31,756	(22,188)

5 WRITE BACK OF PROVISION FOR CREDIT LOSSES

During the current period, the Parent Company recovered an amount of KD 390,000 as a result of a final settlement agreement with International Leasing and Investment Company which give the company the right to recover 15% from the original Wakala receivable due, which was impaired in previous years.

During 2011, one of the past due Wakala receivable was sold to a financial institution under an agreement dated 24 November 2011. The excess provision representing the difference between the sale price and net carrying amount has been reversed and recorded in the consolidated income statement for the year ended 31 December 2011.

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	2013	*2011*
	KD	*KD*
Local:		
Unquoted shares	**985,750**	901,250
Foreign:		
Quoted shares	**3,338,242**	2,729,385
Unquoted shares	**435,362**	435,362
	4,759,354	4,065,997

The quoted equity securities are listed on Amman Stock Exchange, Jordan.

Unquoted equity securities are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments. Based on the latest available financial information, management is of the view that no impairment provision is required as at 30 September 2013 in respect of these investments.

Unquoted foreign equity securities amounting to KD 435,362 (2011: KD 435,362) are managed by a related party (Note 12).

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7 INVESTMENT IN ASSOCIATES

Details of Group's associates are as follows:

Name of company	*Country of incorporation*	*Principal Activity*	*% equity interest*	
			2013	*2011*
The Kingdom University B.S.C. (Closed)	Bahrain	Educational services	**45.00%**	45.00%
Integrated Curriculum for Education Services Company W.L.L.	Kuwait	Educational services	**32.71%**	32.71%
Kalema Tayeba Educational Company K.S.C. (Closed) ("KTEC") *	Kuwait	Educational services	**20%**	20%

* In 2011, due to Board representation and additional equity interest acquired of 0.74% resulting in significant influence, KTEC became an associate of the Group, which was previously classified as financial assets available for sale. The cost of KTEC is treated as deemed cost of the investment in the associate.

The movement in the carrying value of investment in associates is as follows:

	(21 months) 30 September 2013 KD	*(12 months) 31 December 2011 KD*
At the beginning of the period /year	**5,411,929**	3,780,635
Additions	**-**	354,618
Transfer from financial assets available for sale	**-**	1,272,018
Share of results	**142,545**	(23,896)
Dividends received	**(180,000)**	-
Cumulative changes in fair values	**-**	(11,704)
Foreign currency translation adjustment	**2,423**	40,258
At the end of the period /year	**5,376,897**	5,411,929

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7 INVESTMENT IN ASSOCIATES (continued)

The following table illustrates summarised financial information of Group's investment in associates:

	(21 months) 30 September 2013 KD	*(12 months) 31 December 2011 KD*
Share of associate's statement of financial position:		
Assets	**5,610,790**	6,304,272
Liabilities	**(1,129,347)**	(1,787,797)
Net assets	**4,481,443**	4,516,475
Goodwill arising on acquisition of associate	**895,454**	895,454
	5,376,897	5,411,929
Share of associate's revenue and results:		
Revenue	**2,429,743**	1,220,934
Results - profit (loss) for the year/ period	**142,545**	(23,896)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	2013 KD	*2011 KD*
Designated upon initial recognition		
Managed funds	**1,595,119**	1,705,351

9 OTHER ASSETS

	2013 KD	*2011 KD*
Receivable on sale of a subsidiary	**104,141**	250,883
Other receivable	**21,022**	1,810,156
	125,163	2,061,039

Other receivable in prior year represents amount due from a financial institution on sale of wakala receivable which was fully collected during the current period.

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10 SHARE CAPITAL

	2013	*2011*
	KD	*KD*
Authorised, issued and fully paid up in cash 150,000,000 shares of 100 fils each	**15,000,000**	15,000,000

11 STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Directors' remuneration has to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. In the current period, no transfer has been made to statutory reserve since previously incurred losses have not yet been fully recovered.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

12 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties are as follows:

	2013		*2011*
	Major shareholders	***Total***	*Total*
	KD	***KD***	*KD*
Consolidated statement of financial position			
Financial assets available for sale (Note 6)	**435,362**	**435,362**	435,362

Compensation of key management personnel:

	(21 months) 30 September 2013	*(12 months) 31 December 2011*
	KD	*KD*
Salaries and other short term benefits	**93,139**	39,733
Terminal benefits	**1,371**	2,000
Directors' remuneration	**7,000**	7,000
	101,510	48,733

Directors' remuneration of KD 7,000 (2011: KD 7,000) is subject to approval by the Annual General Assembly of the shareholders of the Parent Company.

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the period /year ended 30 September 2013 and 31 December 2011. The Parent Company's management reviews and agrees policies for managing each of these risks which are summarised below:

13.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances and other assets.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis by the Parent Company's Board of Directors. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with a view to minimise the Group's exposure to bad debts. The maximum exposure is the carrying amount as presented in the consolidated statement of financial position.

Maximum exposure to credit risk
The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements:

	2013	*2011*
	KD	*KD*
Other assets	**125,163**	2,061,039
Bank balances	**2,850,335**	245,791
	2,975,498	2,306,830

The maximum credit risk exposure to a single counter party is KD 2,611,162 (2011: KD 1,746,142).

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

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13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.1 Credit risk (continued)

The Group's financial assets subject to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the following industry sectors:

	2013	*2011*
	KD	*KD*
Banks and financial institutions	**2,850,335**	1,991,933
Educational institutions	**-**	20,524
Individuals	**125,163**	294,373
	2,975,498	2,306,830

13.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The Group's financial liabilities based on contractual undiscounted repayment obligation payable is less than three months amounting to KD 122,253 (2011: KD 110,208) as at the reporting date.

13.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of risks: profit rate risk, foreign currency risk and equity risk.

13.3.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group is not exposed to profit rate risk as all Islamic financial instruments are at fixed profit rates.

13.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not exposed to any significant foreign currency risk as majority of its monetary assets and liabilities are denominated in Kuwaiti Dinars.

13.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investment is listed on Amman Stock Exchange.

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13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.1 13.3.3 Equity price risk (continued)

The effect on equity (as a result of a change in the fair value of financial assets available for sale) due to 5% change in market indices, with all other variables held constant is as follows:

	Effect on equity and other comprehensive income	
Market indices	***2013***	*2011*
	KD	*KD*
Jordan	**166,912**	136,469

14 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the period /year ended 30 September 2013 and 31 December 2011. Capital represents total equity and is measured at KD 15,510,551 as at 30 September 2013 (31 December 2011: KD 14,331,715).

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

The fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts except for unquoted financial assets available for sale which are carried at cost less impairment amounting to KD 1,421,112 (2011: KD 1,336,612).

Fair value hierarchy
The group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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Assets measured at fair value

2013	*Level 1* *KD*	*Level 2* *KD*	*Level 3* *KD*	*Total* *KD*
Financial assets at fair value through income statement	-	-	1,595,119	**1,595,119**
Financial assets available for sale	3,338,242			**3,338,242**
2011				
Financial assets at fair value through income statement	-	-	1,705,351	1,705,351
Financial assets available for sale	2,729,385	-	-	2,729,385

During the reporting periods ended 30 September 2013 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table shows a reconciliation of the beginning and closing balances of level 3 financial assets which are recorded at fair value.

	At 1 January 2012 *KD*	*Gain recorded in the consolidated statement of income* *KD*	*Net purchases, sales, transfers and settlements* *KD*	*At 30 September 2013* *KD*
Financial assets at fair value through statement of income	**1,705,351**	**31,756**	**(141,988)**	**1,595,119**

	At 1 January 2011 *KD*	*Loss recorded in the consolidated statement of income* *KD*	*Net purchases, sales, transfers and settlements* *KD*	*At 31 December 2011* *KD*
Financial assets at fair value through statement of income	1,856,539	(22,188)	(129,000)	1,705,351