HUMANSOFT HOLDING COMPANY K.S.C. (CLOSED)
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

INDEX

	Page
Independent auditors' report	1-2
Consolidated statement of financial position	3
Consolidated statement of income	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8 to 34

Deloitte & Touche
Al-Fahad Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174 Safat 13062 or
P.O. Box 23049 Safat 13091
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080

www.deloitte.com

Middle East

Ali Al Hassawi & Partners

P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel 22464574-6 /22426862-3 Fax: 22414956
Email: info-kuwait@rodlme.com
www.rodlme.com

INDEPENDENT AUDITORS' REPORT

The Shareholders
Humansoft Holding Company K.S.C. (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Humansoft Holding Company K.S.C. (Closed) ("the Parent Company") and subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Parent Company's management 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' judgement, 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 auditor considers 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.

Opinion

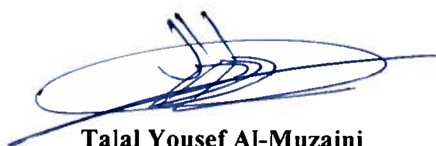
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte.

Rödl
Middle East

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company, and the consolidated financial statements, together with the contents of the Parent Company's Board of Directors report relating to these 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 the information that is required by the Companies Law No. 25 of 2012 and by the Parent Company's Articles of Association; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violation of the Companies Law No. 25 of 2012 or of the Articles of Association have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Yousef Al-Muzaini
License No. 209-A
Deloitte & Touche
Al-Fahad Al-Wazzan & Co.

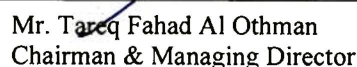
Ali Abdulrahman Al-Hasawi
License No. 30-A
Rödl Middle East
Burgan-International Accountants

25 March 2013

HUMANSOFT HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES

Consolidated Statement of Financial Position as at 31 December 2012

	Notes	2012 KD	2011 KD
ASSETS			
Current assets			
Cash and bank balances	4	5,358,060	2,689,351
Trade and other receivables	5	4,757,904	4,613,291
Inventories		67,007	53,464
		10,182,971	7,356,106
Non-current assets			
Property and equipment	7	20,912,940	16,377,695
Intangible assets	8	8,611,668	8,674,054
Investment in associates	9	523,923	462,557
Investment available for sale	10	468	468
		30,048,999	25,514,774
Total assets		40,231,970	32,870,880
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts	4	187,826	477,832
Short-term loan	11	750,000	750,000
Trade and other payables		589,830	608,390
Accruals and other liabilities	12	2,012,602	1,313,027
Deferred income	13	2,317,643	1,684,813
Retentions payable		810,825	311,859
Current portion of long-term debts	14	1,991,000	2,292,000
		8,659,726	7,437,921
Non-current liabilities			
Long-term debts	14	7,111,982	3,415,776
Retentions payable		-	130,806
Provision for staff indemnity		599,382	460,319
		7,711,364	4,006,901
Total liabilities		16,371,090	11,444,822
Equity			
Share capital	15	11,424,000	11,424,000
Share premium		1,512,000	1,512,000
Statutory reserve	16	1,644,156	1,388,033
Voluntary reserve	17	1,644,156	1,388,033
Treasury shares	18	(9,435)	-
Gain on sale of treasury shares		495,654	495,654
Retained earnings		7,161,012	5,237,483
Foreign currency translation reserve		(10,663)	(19,145)
Total equity		23,860,880	21,426,058
Total liabilities and equity		40,231,970	32,870,880



Mr. Tareq Fahad Al Othman
Chairman & Managing Director

The accompanying notes set out on pages 8 to 34 form an integral part of these consolidated financial statements.

	Notes	2012 KD	2011 KD
Revenue		15,195,379	11,129,493
Cost of operations	19	(4,863,589)	(3,083,660)
Gross profit		10,331,790	8,045,833
General and administrative expenses	20	(5,805,972)	(4,310,383)
Selling expenses	21	(1,194,814)	(903,888)
Property and equipment and intangible assets written off		(634,788)	(92,226)
Finance charges		(308,200)	(332,540)
Share of profit of associates	9	55,156	6,117
Other income		118,055	90,781
Profit before contribution to Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		2,561,227	2,503,694
Contribution to KFAS	22	(23,051)	(22,533)
NLST	23	(68,894)	(64,224)
Zakat	24	(33,507)	(27,134)
Profit for the year		2,435,775	2,389,803
Basic and diluted earnings per share (fils)	25	21.32	21.05

The accompanying notes set out on pages 8 to 34 form an integral part of these consolidated financial statements.

	2012	2011
	KD	KD
Profit for the year	2,435,775	2,389,803
Other comprehensive income		
Exchange differences on translating foreign operations	8,482	(5,143)
Other comprehensive income / (loss) for the year	8,482	(5,143)
Total comprehensive income for the year	2,444,257	2,384,660

The accompanying notes set out on pages 8 to 34 form an integral part of these consolidated financial statements.

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Gain on sale of treasury shares	Retained earnings	Foreign currency translation reserve	Total
Balance as at 31 December 2010	11,424,000	1,512,000	1,137,664	1,137,664	(1,095,127)	484,906	3,348,418	(14,002)	17,935,523
Profit for the year	-	-	-	-	-	-	2,389,803	-	2,389.803
Foreign exchange losses	-	-	-	-	-	-	-	(5,143)	(5,143)
Total comprehensive income / (loss) for the year	-	-	-	-	-	-	2,389,803	(5,143)	2,384,660
Transfer to reserves	-	-	250,369	250,369	-	-	(500,738)	-	-
Sale of treasury shares	-	-	-	-	1,095,127	10,748	-	-	1,105,875
Balance as at 31 December 2011	11,424,000	1,512,000	1,388,033	1,388,033	-	495,654	5,237,483	(19,145)	21,426,058
Profit for the year	-	-	-	-	-	-	2,435,775	-	2,435,775
Foreign exchange gain	-	-	-	-	-	-	-	8,482	8,482
Total comprehensive income for the year	-	-	-	-	-	-	2,435,775	8,482	2,444,257
Transfer to reserves	-	-	256,123	256,123	-	-	(512,246)	-	-
Purchase of treasury shares	-	-	-	-	(9,435)	-	-	-	(9,435)
Balance as at 31 December 2012	11,424,000	1,512,000	1,644,156	1,644,156	(9,435)	495,654	7,161,012	(10,663)	23,860,880

The accompanying notes set out on pages 8 to 34 form an integral part of these consolidated financial statements.

HUMANSOFT HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES

Consolidated Statement of Cash Flows - year ended 31 December 2012

	Notes	2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST and Zakat		2,561,227	2,503,694
Adjustments for :			
Depreciation and amortisation	7 & 8	960,141	895,509
Finance charges		308,200	332,540
Provision for staff indemnity		201,495	162,342
Allowance for doubtful debts	5	101,869	23,221
Property and equipment and intangible assets written off	7 & 8	634,788	92,226
Share of profit of associates	9	(55,156)	(6,117)
Interest income		(541)	(1,054)
Loss on disposal of property and equipment	7 & 8	-	1,651
		4,712,023	4,004,012
Increase in trade and other receivables		(246,777)	(1,595,036)
(Increase) / decrease in inventories		(13,543)	26,776
(Decrease) / increase in trade and other payables		(18,560)	44,042
Increase in accruals and other liabilities		663,647	461,096
Increase in deferred income		632,830	533,522
Increase / (decrease) in retentions payable		368,160	(84,149)
		6,097,780	3,390,263
Payment of staff indemnity		(63,648)	(120,315)
Payment of KFAS		(22,533)	(2,148)
Payment of NLST		(57,076)	(8,268)
Payment of Zakat		(24,644)	(7,100)
Net cash generated from operating activities		5,929,879	3,252,432
INVESTING ACTIVITIES			
Payments for capital work in progress	7 & 8	(5,738,506)	(2,068,132)
Purchase of property and equipment	7	(280,139)	(203,114)
Payments for intangible assets	8	(45,245)	-
Proceeds from disposal of property and equipment and intangible assets	7 & 8	-	511
Interest income received		541	1,054
Partial liquidation proceeds of investment available for sale		-	27,555
Net cash used in investing activities		(6,063,349)	(2,242,126)
FINANCING ACTIVITIES			
Increase in short-term loan		-	750,000
Increase / (decrease) in long-term debts		3,395,206	(925,115)
(Purchase) / sale of treasury shares		(9,435)	1,105,875
Finance charges paid		(293,471)	(336,379)
Net cash generated from financing activities		3,092,300	594,381
Net increase in cash and cash equivalents		2,958,830	1,604,687
Effects of exchange rate changes on cash and cash equivalents		(115)	1,123
Cash and cash equivalents at beginning of the year		2,211,519	605,709
Cash and cash equivalents at end of the year	4	5,170,234	2,211,519

The accompanying notes set out on pages 8 to 34 form an integral part of these consolidated financial statements.

1. OWNERSHIP AND ACTIVITIES

Humansoft Holding Company K.S.C. (Closed) ("the Parent Company") is a closed Kuwaiti Shareholding Company incorporated on 14 September 1997.

The Parent Company and its subsidiaries (together referred to as "the Group") are engaged in establishing and managing private universities and colleges, providing computer education, language training, executive courses and electronic commerce and media. The Group is also permitted to invest surplus funds in shares and other securities and to acquire interests in related business in Kuwait and abroad.

The Parent Company is listed on the Kuwait Stock Exchange and its registered office address is P.O. Box 305, Dasman 15454, State of Kuwait.

On 29 November 2012, Companies Law No. 25 of 2012 (the Law) was published in the official gazette to supersede Law No. 15 of 1960 – the Law of Commercial Companies. Companies in Kuwait have been granted six months to comply with the Law's requirements as may be specified in the Executive Regulations. The Group is taking necessary actions to ensure compliance within the specified timeframe.

These consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 25 March 2013 and are subject to approval of shareholders in the Annual General Assembly.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), under the historical cost basis of measurement , except for the measurement at fair value of "investments available for sale". These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency.

2.2 New and revised accounting standards

Effective for the current year

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

IFRS 7 Financial Instruments: Disclosures - Transfer of financial assets (effective for annual period beginning on or after 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's 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 the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Group does not have any assets with these characteristics. Hence the adoption of the amendment does not have any impact on the financial position, performance, or disclosures in the consolidated financial statements of the Group.

Issued but not yet effective

The standards and interpretations that are issued, but not yet effective are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income (amendments) (effective for annual period beginning on or after 1 January 2013)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group's financial position or performance.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and revised accounting standards (Continued)

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities (amendments) (effective for annual period beginning on or after 1 January 2013)

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. The adoption of the amendment is not expected to have any impact on the financial position, performance, or disclosures in the consolidated financial statements of the Group.

IFRS 9 Financial Instruments: Classification and Measurement (effective for annual period beginning on or after 1 January 2015)

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 Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements (effective for annual period beginning on or after 1 January 2013)

IFRS 10 replaces the consolidation guidance in *IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the returns. Further in November 2012, IASB has issued an amendment to *IFRS 10 Consolidated Financial Statements* to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with *IFRS 9 Financial Instruments*. The Group is considering the implications of the standard and the impact (if any) on the Group.

IFRS 11 Joint Arrangements

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. The Group is considering the implications of the standard and the impact (if any) on the Group.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and revised accounting standards (Continued)

IFRS 12 Disclosure of Involvement with Other Entities (effective for annual period beginning on or after 1 January 2013)

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 require 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 consolidated entities. The Group is considering the implications of the standard and the impact (if any) on the Group.

IFRS 13: Fair Value Measurement (effective for annual period beginning on or after 1 January 2013)

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 Group is considering the implications of the standard and the impact on the Group.

2.3 Business combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and income. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. If a parent loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

2.5 Financial instruments

In the normal course of business the Group uses financial instruments, principally cash and bank balances, trade and other receivables, investment available for sale, bank overdrafts, short-term loan, trade and other payables, accrued expenses, retentions payable and long-term debts.

In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as "loans and receivables" and "available for sale" and financial liabilities as "other than at fair value through profit or loss". Financial assets and liabilities are initially recognized at fair value (which includes transaction costs) and are subsequently remeasured and carried at amortised cost using the effective yield method.

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the Group's obligation specified in the contract is discharged, cancelled or expires. Where 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 recognition of a new liability.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (Continued)

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortized cost using the effective yield method.

Investment available for sale

These are non-derivative financial assets not classified as ''loans and receivables'', ''held to maturity'' or ''fair value through profit or loss'' and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of comprehensive income. When the "investment available for sale" asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of income as gains or losses.

Fair values

The fair value of financial instruments traded in recognised financial markets is their quoted market price, based on the closing bid prices. The fair value of financial instruments other than short term financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments. The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the consolidated statement of income. For "available for sale" equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial liabilities / equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months, net of bank overdrafts are classified as cash and cash equivalents in the consolidated statement of cash flows.

2.7 Investments in associates

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recognised as goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Under the equity method, the Group recognises in the consolidated statement of income, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

2.8 Inventories

Inventories comprise of course materials and are stated at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. Cost comprises the purchase price, import duties, transportation, handling, and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in first out ("FIFO") method. Net realisable value represents the estimated selling price less all estimated selling costs.

2.9 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Building and leasehold land improvements	20
Computers and peripherals	2-3
Furniture, fixtures and decorations	3-5
Equipment	3-5
Library books	4

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of income. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property and equipment (Continued)

Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss and are classified as capital work in progress. Cost includes professional fees. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

2.10 Impairment of tangible and intangible assets (including investments in associates)

At each consolidated statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets (including investment in associates) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is recognised in the revaluation surplus.

2.11 Intangible assets and goodwill

Identifiable non-monetary assets acquired and developed in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of university and college licenses, curriculum, in-house developed computer diploma programs and software, franchise cost, trademark, key money and brand. Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis (except the university license that has an indefinite useful life) over their estimated useful lives, which are as follows:

	Years
Computer diploma, programs, software, systems and curricula	2-5
Franchise	5-10
Trade mark, Key money and brand	10

Goodwill arising in a business combination is computed as the excess of the aggregate of: the consideration transferred; the non-controlling interests proportionate share in the recognized amounts of the acquiree's net identifiable assets at the acquisition date, if any; and in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Any deficit is a gain from a bargain purchase and is recognized directly in the consolidated statement of income.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets and goodwill (Continued)

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of goodwill relating to the entity or the portion sold.

Goodwill and intangible assets with indefinite useful lives are tested, at least annually, for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill and intangible assets.

If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. That relating to goodwill cannot be reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

2.12 Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies or the applicable foreign currency. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

Translation differences on non-monetary items, such as equities classified as investments available for sale financial assets are included in the investment fair valuation reserve in equity.

The income and cash flow statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their statement of financial position are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill, long-term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of income as part of the gain or loss on sale.

2.13 Revenue recognition

Revenue is recognised on a time proportion basis as courses are provided. Fees received in advance are deferred and are taken to the consolidated statement of income when the related service is provided.

Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Post-employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed.

The defined benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the consolidated statement of financial position date. This basis is considered to be a reliable approximation of the present value of the final obligation.

2.15 Borrowing costs

Borrowing costs that are directly attributable to the construction of qualifying assets are capitalised as part of its cost. For funds borrowed specifically for construction of these assets, the borrowing costs are determined using the actual costs of such funds. If the funds utilised for the construction of assets are not specific borrowings, the borrowing costs are determined using the weighted average cost of the general borrowings. All other borrowings costs are recognised as an expense of the period in which it is incurred.

2.16 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (gain on sale of treasury shares), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.17 Accounting of leases

Where the Group is the lessee

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

2.18 Provisions for liabilities

Provisions for liabilities are recognised, when, as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

2.19 Contingencies

Contingent assets are not recognised as an asset till realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

3. SUBSIDIARIES AND ASSOCIATES

The principal subsidiaries and associates of the Group are:

Subsidiary	Country of incorporation	Principal activities
Humansoft Learning Company K.S.C. (Closed) and its subsidiaries	Kuwait	Computer education & training executive courses
Al-Arabia Educational Enterprises Company K.S.C. (Closed)	Kuwait	Establishment and operation of University & college
Track Learning Solutions Co. W.L.L.	Kuwait	Computer programming, advertisement publication and distribution
Expression for Private Training Company W.L.L.	Kuwait	Open private training institutes
Excellence Training & Development Co. W.L.L.	Kuwait	Computer education & executive training courses
Humansoft Free Zone – L.L.C.	U.A.E.	Technology, e-commerce & media
Tawteen Human Investment Co. P.J.S.C.	U.A.E.	Establishment and operation of educational institutions
New Horizon Training Centre L.L.C.	U.A.E.	Computer education & executive training courses
Innovative Educational Facilities Management L.L.C	U.A.E.	Establishment and operation of educational institutions
Humansoft Learning Solutions	Qatar	Administration Training Services

During the year, the Parent Company liquidated two wholly owned dormant subsidiaries namely Humansoft Human & IT Investment Company Limited, U.K and Toot E-Business Company Limited, U.K. and formed two wholly owned dormant subsidiaries Human Soft America Inc., U.S.A. and Innovative Educational Facilities Management L.L.C, U.A.E.

Associate	Country of incorporation	Percentage of ownership		Principal activities
		2012	2011	
New Horizons Training Company W.L.L.	Qatar	40%	40%	Training and Career Development Programs
Al Arabia Training Company W.L.L.	Qatar	40%	40%	English Training
Tawteen Human Investment Company W.L.L.	Qatar	40%	40%	Training and Career Development Programs

4. CASH AND CASH EQUIVALENTS

	2012	2011
	KD	KD
Cash on hand and at banks	5,166,460	2,424,436
Short-term deposits with banks	191,600	264,915
Cash and bank balances	5,358,060	2,689,351
Less: Bank overdrafts	(187,826)	(477,832)
Cash and cash equivalents	5,170,234	2,211,519

Overdraft facilities from local banks are denominated in KD and as at 31 December 2012 bear interest ranging from 2% - 2.5% (2011: 2% - 2.5 %) per annum over the Central Bank of Kuwait discount rate.

As at the consolidated statement of financial position date, the undrawn bank overdraft facilities amounted to KD 862,174 (2011: KD 572,168).

The short-term deposits with banks are denominated in U.A.E. dirhams and are placed with local banks and carry an effective interest rate of 0.2% (2011 – 0.2%) per annum.

5. TRADE AND OTHER RECEIVABLES

	2012	2011
	KD	KD
Trade receivables	4,570,192	4,330,707
Less: Allowance for doubtful debts	(363,573)	(306,594)
	4,206,619	4,024,113
Prepaid expenses	316,523	335,347
Advance to suppliers	55,381	108,400
Others	179,381	145,431
	4,757,904	4,613,291

The average credit period granted to customers is 60 days. No interest is charged on the overdue trade receivables. The Group has provided for trade receivables based on estimated irrecoverable amounts, determined by reference to past default experience.

As at 31 December 2012, trade receivables of KD 4,012,612 (2011: KD 3,960,735) were fully performing.

Included in the Group's trade receivables are debtors with a carrying amount of KD 194,007 (2011: KD 63,378) which are past due at the consolidated statement of financial position date for which the Group has not made any provision as management considers these amounts as recoverable based on their assessment of the credit worthiness of these debtors. The Group does not hold any collateral over these balances.

5. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging of past due but not impaired

	2012	2011
	KD	KD
61 - 90 days	52,157	46,652
91 - 120 days	87,917	4,841
120+ days	53,933	11,885
Total	194,007	63,378

Movement in the allowance for doubtful debts:	2012	2011
Balance at beginning of the year	306,594	569,455
Charge for the year	101,869	23,221
Amounts written off as uncollectible	(45,184)	(285,921)
Foreign currency translation effect	294	(161)
Balance at the end of the year	363,573	306,594

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2012	2011
	KD	KD
KD	3,876,842	3,776,385
UAE Dirham	244,659	169,168
Other currencies	85,118	78,560
	4,206,619	4,024,113

The maximum exposure to credit risk at the consolidated statement of financial position date is disclosed in note 28 to these consolidated financial statements. The other classes within trade and other receivables are neither past due nor impaired.

6. RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders and executive officers of the Group, their families and companies of which they are the principal owners. The Group enters into transactions with related parties on pricing policies and terms approved by the Group's management.

The related party transactions included in these consolidated financial statements are as follows:

	2012	2011
	KD	KD
a) Statement of income		
General and administrative expenses	20,000	20,000
b) Compensation of key management personnel		
Short-term benefits	802,816	446,060
Post-employment benefits	7,851	10,086
	810,667	456,146

7. PROPERTY AND EQUIPMENT

	Freehold land	Building and leasehold land improvements	Computers and peripherals	Furniture, fixtures and decoration	Equipment	Library Books	Capital work in progress ("CWIP")	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
Balance as at 31 December 2010	5,297,030	5,830,007	1,187,137	592,902	271,323	39,973	3,782,149	17,000,521
Transfers	-	-	(7,758)	14,413	230	-	-	6,885
Additions	-	-	80,044	48,727	73,740	603	2,061,462	2,264,576
Transfers from CWIP	-	4,060,096	605	1,176	7,800	-	(4,069,677)	-
Write-off	-	-	(9,450)	(2,174)	-	-	-	(11,624)
Disposals	-	-	(6,285)	(12,310)	(4,189)	-	-	(22,784)
Exchange adjustments	-	-	(3,678)	(2,326)	(1,135)	-	-	(7,139)
Balance as at 31 December 2011	5,297,030	9,890,103	1,240,615	640,408	347,769	40,576	1,773,934	19,230,435
Additions	-	-	105,773	136,441	31,119	6,806	5,731,215	6,011,354
Transfers from CWIP	-	7,317,258	55,384	113,375	-	-	(7,486,017)	-
Write off	-	(718,422)	(66,943)	(2,635)	(2,728)	-	-	(790,728)
Exchange adjustments	-	-	5,411	3,247	1,679	-	-	10,337
Balance as at 31 December 2012	5,297,030	16,488,939	1,340,240	890,836	377,839	47,382	19,132	24,461,398
Accumulated depreciation								
Balance as at 31 December 2010	-	482,100	969,936	455,461	221,343	6,523	-	2,135,363
Transfers	-	-	(7,383)	14,042	226	-	-	6,885
Charge for the year	-	475,819	143,593	91,476	30,153	8,287	-	749,328
Write-off	-	-	(9,445)	(2,173)	-	-	-	(11,618)
Disposals	-	-	(6,282)	(10,155)	(4,185)	-	-	(20,622)
Exchange adjustments	-	-	(3,383)	(2,156)	(1,057)	-	-	(6,596)
Balance as at 31 December 2011	-	957,919	1,087,036	546,495	246,480	14,810	-	2,852,740
Charge for the year	-	590,574	113,347	84,280	44,680	9,267	-	842,148
Write-off	-	(83,723)	(66,875)	(2,623)	(2,722)	-	-	(155,943)
Exchange adjustments	-	-	5,035	2,931	1,547	-	-	9,513
Balance as at 31 December 2012	-	1,464,770	1,138,543	631,083	289,985	24,077	-	3,548,458
Carrying amount								
As at 31 December 2012	5,297,030	15,024,169	201,697	259,753	87,854	23,305	19,132	20,912,940
As at 31 December 2011	5,297,030	8,932,184	153,579	93,913	101,289	25,766	1,773,934	16,377,695

The land is under registered mortgage to secure the long-term debt amounting to KD 8,951,982 (2011: KD 5,094,776) (See note 14). Capital work in progress includes borrowing costs capitalised during the year amounting to KD 182,114 (2011: KD 28,169).

8. INTANGIBLE ASSETS

	Goodwill	University & college licenses	Computer diploma programs, software, systems and curricula	Franchise	Trade mark, key money, and brand	Capital work in progress ("CWIP")	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance as at 31 December 2010	1,799,975	6,752,000	947,663	174,104	73,762	100,403	9,847,907
Transfers	-	-	(12,146)	11,986	14,486	-	14,326
Additions	-	-	-	-	-	6,670	6,670
Transfers from CWIP	-	-	9,197	-	4,082	(13,279)	-
Write-off	-	-	(302,621)	-	(11,385)	(92,048)	(406,054)
Exchange adjustments	(2,300)	-	(616)	(443)	-	-	(3,359)
Balance as at 31 December 2011	1,797,675	6,752,000	641,477	185,647	80,945	1,746	9,459,490
Additions		-	43,819	1,426	-	7,291	52,536
Transfers from CWIP		-	373	-	-	(373)	-
Write-off		-	-	-	(6,766)	-	(6,766)
Exchange adjustments	3,074	-	824	586	-	-	4,484
Balance as at 31 December 2012	1,800,749	6,752,000	686,493	187,659	74,179	8,664	9,509,744
Accumulated amortisation							
Balance as at 31 December 2010	-	-	743,689	156,244	39,849	-	939,782
Transfers	-	-	(17,190)	17,441	14,075	-	14,326
Charge for the year	-	-	128,499	10,632	7,050	-	146,181
Write-off	-	-	(302,452)	-	(11,382)	-	(313,834)
Exchange adjustments	-	-	(581)	(438)	-	-	(1,019)
Balance as at 31 December 2011	-	-	551,965	183,879	49,592	-	785,436
Charge for the year	-	-	108,963	695	8,335	-	117,993
Write-off	-	-	-	-	(6,763)	-	(6,763)
Exchange adjustments	-	-	824	586	-	-	1,410
Balance as at 31 December 2012	-	-	661,752	185,160	51,164	-	898,076
Carrying amount							
As at 31 December 2012	1,800,749	6,752,000	24,741	2,499	23,015	8,664	8,611,668
As at 31 December 2011	1,797,675	6,752,000	89,512	1,768	31,353	1,746	8,674,054

8. INTANGIBLE ASSETS (CONTINUED)

Goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units (CGU's) are determined based on the value in use method. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

CGU to which goodwill has been allocated are as follows :

	2012	2011
	KD	KD
Excellence Training & Development Co. W.L.L.	1,552,500	1,552,500
New Horizons Training Center (Branch of Tawteen Human Investment Co. P.J.S.C.)	148,101	146,268
New Horizons Training Center L.L.C.	100,148	98,907
	1,800,749	1,797,675

University & college licenses

University & college licenses represents intangible assets with an indefinite useful life. These represent the value of the various university & college licenses held by Al Arabia Educational Enterprises Company K.S.C. (a subsidiary of the Parent Company). Management has determined that these licenses have an indefinite useful life as they have no specified expiry period and the university & college is expected to continue its operations for the foreseeable future.

The recoverable amounts of these licenses are determined based on the value in use method. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenues and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on university and college growth forecasts. Changes in revenues and direct costs are based on past practices and expectations of future changes in the market.

The Group has performed a sensitivity analysis by varying the above input factors by a reasonably possible margin and assessing whether the change in input factors results in any of the goodwill allocated to appropriate CGU or the university & college licenses being impaired. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amount so obtained was significantly above the carrying amount of the CGUs.

9. INVESTMENT IN ASSOCIATES

This represents the Group's share of investments in associates accounted for using the equity method.

	2012	2011
	KD	KD
Opening balance	462,557	460,682
Share of profit for the year (See below)	55,156	6,117
Foreign currency translation adjustment	6,210	(4,242)
Closing balance	523,923	462,557
The Group's share of the associate's assets, liabilities, revenue and results is as follows :		
Assets	567,823	502,640
Liabilities	147,770	142,663
Goodwill from acquisition of investment in associates	103,870	102,580
Revenue	439,753	371,444
Profit of associate	55,156	6,117

Tawteen Human Investment Company has not generated any revenue in the current year (2011: Nil) as the Company has not yet commenced its commercial operations. As at the consolidated statement of financial position date, the Group's share of net assets of this associate is nil since the Group's accumulated share of losses of Tawteen Human Investment Company exceed its ownership interest in the associate.

10. INVESTMENT AVAILABLE FOR SALE

	2012	2011
	KD	KD
Investment in local unquoted shares	468	468

The investment available for sale is carried at cost since it is not possible to reliably measure its fair value.

11. SHORT-TERM LOAN

	2012	2011
	KD	KD
Short-term loan	750,000	750,000

The revolving short-term loan from a local bank is denominated in KD and bears interest rate of 2.5% (2011: 2.5%) per annum over the CBK discount rate. The loan is secured by the corporate guarantee of the Parent Company and assignment of receivables from a government entity.

12. ACCRUALS AND OTHER LIABILITIES

	2012	2011
	KD	KD
Accrued expenses	462,654	474,855
Staff incentives payable	755,000	200,000
Staff leave payable	404,239	291,457
Advance from students	135,079	153,535
Others	255,630	193,180
	2,012,602	1,313,027

13. DEFERRED INCOME

This represents fees received in advance to be recognized as revenue as and when the service is rendered.

14. LONG-TERM DEBTS

	2012	2011
	KD	KD
Current portion	1,991,000	2,292,000
Non-current portion	7,111,982	3,415,776
	9,102,982	5,707,776

Long-term debts consist of the following:

Description	2012	2011
	KD	KD
i. KD 3,000,000 from a local bank that bears an interest rate of 3% over the CBK discount rate per annum. The loan is being repaid in 78 monthly instalments starting from 5 November 2006.	151,000	613,000
ii. KD 4,500,000 from a local bank that bears an interest rate of 3.5% over the CBK discount rate per annum. The loan is being repaid in 36 monthly instalments starting from 1 January 2011.	1,500,000	3,000,000
iii. KD 1,000,000 from a local bank that bears an interest rate of 3.5% over the CBK discount rate per annum. The loan is being repaid in 36 monthly instalments starting from 1 January 2011.	340,000	670,000
iv. KD 5,000,000 from a local bank that bears an interest rate of 3.5% over the CBK discount rate per annum. The loan will be repaid in 36 monthly instalments starting from 1 January 2014.	5,000,000	1,424,776
v. KD 4,000,000 from a local bank that bears an interest rate of 3.5% over the CBK discount rate per annum. The loan will be repaid in 36 monthly instalments starting from 1 January 2014.	2,111,982	-
	9,102,982	5,707,776

Long-term loans ((ii), (iii), (iv) and (v) above) amounting to KD 8,951,982 (2011: KD 5,094,776) is secured by mortgage of land with a carrying value of KD 5,297,030 (2011: KD 5,297,030) and included in property and equipment (See note 7).

As at the consolidated statement of financial position date, the undrawn long-term debts amounted to KD 1,888,018 (2011: KD 3,575,224).

15. SHARE CAPITAL

Share capital comprises of 114,240,000 authorised and issued shares of 100 fils (2011: 114,240,000 shares of 100 fils) each fully paid in cash.

16. STATUTORY RESERVE

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST and Zakat has been transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

17. VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST and Zakat required has been transferred to the voluntary reserve until the shareholders decide to discontinue the transfer. There are no restrictions on distributions from the voluntary reserve.

18. TREASURY SHARES

	2012	2011
Number of shares	37,500	-
Percentage of issued shares	0.03%	-
Market value (KD)	10,500	-

19. COST OF OPERATIONS

	2012	2011
	KD	KD
Staff salaries and related costs	3,463,924	2,421,115
Facilities costs	1,213,307	444,295
Material costs	174,091	188,142
Others	12,267	30,108
	4,863,589	3,083,660

An amount of KD 815,209 (2011: Nil) included in facilities costs represent the cost of temporary structures and other related costs incurred during the year.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
	KD	KD
Staff salaries and related costs	2,876,602	1,896,480
Facilities costs	940,922	667,064
Depreciation and amortisation	960,141	895,509
Others	1,028,307	851,330
	5,805,972	4,310,383

21. SELLING EXPENSES

	2012	2011
	KD	KD
Staff salaries and related costs	413,402	344,303
Advertising and sales promotion	498,503	349,012
Allowance for doubtful debts	101,869	23,221
Others	181,040	187,352
	1,194,814	903,888

22. CONTRIBUTION TO KFAS

This represents contribution to the Kuwait Foundation for Advancement of Science ("KFAS") computed at 1% of profit for the year after transfer to statutory reserve. Provision for contribution to KFAS is comprised of the following:

	2012	2011
	KD	KD
The Parent Company	6,385	20,181
Al Arabia Education Enterprises Company K.S.C. (Closed)	13,636	-
Humansoft Learning Company K.S.C. (Closed)	3,030	2,352
	23,051	22,533

23. NLST

This represents provision for National Labour Support Tax ("NLST") computed at 2.5% of profit for the year after transfer to statutory reserve.

24. ZAKAT

Zakat represents tax payable to Kuwait's Ministry of Finance under Zakat Law No.46 of 2006.

25. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated as follows:

	2012	2011
	KD	KD
Profit for the year	2,435,775	2,389,803
Number of shares outstanding:	Shares	
Weighted average number of paid up shares	114,240,000	114,240,000
Less: Weighted average number of treasury shares outstanding	(17,877)	(687,452)
Weighted average number of outstanding shares	114,222,123	113,552,548
Basic and diluted earnings per share (fils)	21.32	21.05

26. SEGMENT INFORMATION

Primary segment information – business segments:

The Group is organised into functional divisions in order to manage its various lines of business. All of the segment revenue reported below is from external customers. For the purpose of segment reporting, the Parent Company's management has grouped the Group's activities into the following business segments:

a) Training and Career Development Programs
b) English Training
c) Learning Solutions
d) Higher Education

Segment results include revenues and expenses directly attributable to a segment. There are no significant inter-segment transactions.

26. SEGMENT INFORMATION (CONTINUED)

Segment information by business segments is as follows:

	Training and career development programs	English training	Learning solutions	Higher education	Others	Total
	KD	KD	KD	KD	KD	KD
2012						
Segment revenues	1,421,246	962,082	700,328	12,111,723	-	15,195,379
Segment expenses	(1,275,257)	(690,681)	(625,718)	(7,602,703)	(835,327)	(11,029,686)
Property and equipment and intangible assets written off	(3)	-	-	(634,699)	(86)	(634,788)
Depreciation and amortisation	(44,084)	(12,420)	(12,307)	(888,307)	(3,023)	(960,141)
Finance charges	-	-	-	(277,998)	(30,202)	(308,200)
Share of profit of associates	-	-	-	-	55,156	55,156
Other income	11,895	6,252	22,022	76,486	1,400	118,055
Profit for the year	113,797	265,233	84,325	2,784,502	(812,082)	2,435,775
Assets						
Segment total assets	1,157,572	691,186	494,488	29,696,498	8,192,226	40,231,970
Liabilities						
Segment total liabilities	507,039	200,873	186,295	14,853,756	623,127	16,371,090

	Training and career development programs	English training	Learning solutions	Higher education	Others	Total
	KD	KD	KD	KD	KD	KD
2011						
Segment revenues	1,383,505	1,032,732	958,637	7,754,619	-	11,129,493
Segment expenses	(1,256,180)	(653,160)	(676,564)	(4,244,440)	(685,969)	(7,516,313)
Property and equipment and intangible assets written off	(4)	(653)	-	(91,395)	(174)	(92,226)
Depreciation and amortisation	(30,171)	(11,011)	(24,434)	(822,861)	(7,032)	(895,509)
Finance charges	-	-	-	(267,068)	(65,472)	(332,540)
Share of profit of associates	-	-	-	-	6,117	6,117
Other income	8,501	252	19,944	63,888	(1,804)	90,781
Profit for the year	105,651	368,160	277,583	2,392,743	(754,334)	2,389,803
Assets						
Segment total assets	3,095,836	581,549	579,071	22,097,865	6,516,559	32,870,880
Liabilities						
Segment total liabilities	502,455	203,850	205,230	9,340,187	1,193,100	11,444,822

26. SEGMENT INFORMATION (CONTINUED)

Segment revenue above represents income generated from external customers. There was no inter-segment income during the year (2011: Nil).

Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Information about major customers

Included in revenues arising from higher education is an amount of KD 9,841,537 (2011: KD 5,854,908) from one of the Group's largest customer.

Secondary segment information – geographical segments:

The Parent Company operates from one location in Kuwait and through its subsidiaries, some of which are located outside Kuwait. Segment revenues and expenses by geographical area are as follows:

	Inside Kuwait	Outside Kuwait	Total
2012	KD	KD	KD
Segment revenues	13,586,284	1,609,095	15,195,379
Segment expenses	(9,602,061)	(1,427,625)	(11,029,686)
Property and equipment and intangible assets written off	(634,788)	-	(634,788)
Depreciation and amortisation	(926,548)	(33,593)	(960,141)
Finance charges	(308,200)	-	(308,200)
Share of profits of associates	-	55,156	55,156
Other income	99,908	18,147	118,055
Profit for the year	2,214,595	221,180	2,435,775
Assets			
Segment total assets	38,716,882	1,515,088	40,231,970
Liabilities			
Segment total liabilities	15,921,649	449,441	16,371,090

	Inside Kuwait	Outside Kuwait	Total
2011	KD	KD	KD
Segment revenues	9,464,075	1,665,418	11,129,493
Segment expenses	(6,151,591)	(1,364,722)	(7,516,313)
Property and equipment and intangible assets written off	(92,226)	-	(92,226)
Depreciation and amortisation	(865,879)	(29,630)	(895,509)
Finance charges	(332,540)	-	(332,540)
Share of profits of associates	-	6,117	6,117
Other income / (expenses)	91,447	(666)	90,781
Profit for the year	2,113,286	276,517	2,389,803
Assets			
Segment total assets	31,432,918	1,437,962	32,870,880
Liabilities			
Segment total liabilities	11,019,880	424,942	11,444,822

27. COMMITMENTS AND CONTINGENT LIABILITIES

	2012 KD	2011 KD
Commitments		
Capital commitments for construction	617,826	862,280
Operating lease commitments for land	1,414,000	1,504,500
Minimum operating lease commitments under the operating lease are as follows:		
Not later than one year	90,500	90,500
Later than one year but not later than five years	362,000	362,000
Later than five years	961,500	1,052,000
	1,414,000	1,504,500
Contingent liabilities		
Letters of guarantee	1,202,393	1,212,347

28. FINANCIAL RISK MANAGEMENT

The Group's financial assets have been categorized as follows :

	Loans and receivables KD	Available for sale KD
31 December 2012		
Cash and bank balances	5,358,060	-
Trade and other receivables	4,386,000	-
Investments available for sale	-	468
Total	9,744,060	468
31 December 2011		
Cash and bank balances	2,689,351	-
Trade and other receivables	4,169,544	-
Investments available for sale	-	468
Total	6,858,895	468

All the financial liabilities of the Group are categorized as 'other than at fair value through profit or loss'.

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group's Board of Directors oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The significant risks that the Group is exposed to are discussed below :

a) 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 price. Market risk comprises of three types of risks: currency risk, interest rate risk and equity price risk. The Group is not exposed to equity price risk.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

a) Market risk (Continued)

(i) Currency risk

Currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to foreign exchange risk as a result of foreign exchange gains / losses on translation of foreign currency denominated assets and liabilities such as trade receivables and payables.

The Group's exposure to currency risk is immaterial as the Group's financial instruments denominated in foreign currencies are immaterial.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from short-term bank deposits and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages interest rate risk by monitoring interest rate movements and by borrowing at market linked interest rates.

At 31 December 2012, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by KD 98,492 (2011 - KD 64,086).

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of bank balances and trade and other receivables. The Group manages this risk by placing its bank balances with high credit rated institutions. The Group considers the credit quality of amounts that are neither past due nor impaired to be good.

During the year, 80% (2011: 84 %) of the total receivable is derived from the Group's largest counterparty which is a government entity (See note 26).

For more information refer to Notes 4 and 5. Past due not impaired financial assets are disclosed in note 5. None of the other financial assets are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by maintaining sufficient cash and bank balances and availability of funding from committed credit facilities and borrowings. The Parent Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2012	KD	KD	KD	KD
Financial liabilities				
Bank overdrafts	187,826	-	-	-
Short-term loan	750,000	-	-	-
Trade and other payables	589,830	-	-	-
Accruals and other liabilities	1,877,523	-	-	-
Retentions payable	810,825	-	-	-
Long-term debts	2,436,912	2,588,037	5,253,353	-
	6,652,916	2,588,037	5,253,353	-
Commitments				
Capital commitments for construction	617,826	-	-	-
Operating lease commitments for land	90,500	90,500	271,500	961,500

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2011	KD	KD	KD	KD
Financial liabilities				
Bank overdrafts	477,832	-	-	-
Short-term loan	750,000	-	-	-
Trade and other payables	608,390	-	-	-
Accruals and other liabilities	1,159,492	-	-	-
Retentions payable	311,859	130,806	-	-
Long-term debts	2,565,707	2,136,217	1,553,006	-
	5,873,280	2,267,023	1,553,006	-
Commitments				
Capital commitments for construction	862,280	-	-	-
Operating lease commitments for land	90,500	90,500	271,500	1,052,000

Fair value of financial instruments

At the consolidated statement of financial position date, the fair value of the Group's financial instruments approximate their respective carrying values.

29. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return on investment to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy in the current year remains unchanged from previous year.

The capital managed by the Group comprises share capital, reserves and retained earnings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (as shown in the consolidated statement of financial position) plus net debt.

Gearing ratio

The gearing ratio at year end were as follows:

	2012	2011
	KD	KD
Total Borrowings (i)	9,852,982	6,457,776
Less: Cash and cash equivalents	(5,170,234)	(2,211,519)
Net debts	4,682,748	4,246,257
Total Equity	23,860,880	21,426,058
Total Capital	28,543,628	25,672,315
Gearing ratio	16%	17%

(i) Total borrowings include short-term loan as disclosed in note 11 and long-term debts as disclosed in note 14.

30. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from these estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Judgements and estimates that are significant to the consolidated financial statements are shown below :

Judgements

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Key sources of estimation uncertainty

Impairment of financial assets

The Group's management reviews periodically items classified as ''loans and receivables'' to assess whether a provision for impairment should be recorded in the consolidated statement of income. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

30. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Cotninued)

Impairment of tangible and intangible assets and useful lives

The Group's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 2. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates that reflect current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

The Group's management determines the useful lives and related depreciation and amortisation charge. The depreciation and amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations or at fair value less costs to sell. The fair value less cost to sell is based on recent/ intended market transactions and the related EBITDA multiples used in such transactions. These calculations require the use of estimates.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation with no effect on the previously reported profits or equity.