HUMANSOFT HOLDING COMPANY K.S.C.P.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Humansoft Holding Company K.S.C.P.
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Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Humansoft Holding Company K.S.C.P. ("the Parent Company") and subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss, profit or loss and other 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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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, 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 violation of the Companies Law No. 25 of 2012, as amended or of the Memorandum of Incorporation and Articles of Association have occurred during the financial year ended 31 December 2013 that might have had a material effect on the business of the Group or on its consolidated financial position.

Talal Yousef Al-Muzaini
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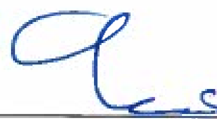

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26 March 2014

HUMANSOFT HOLDING COMPANY K.S.C.P. AND SUBSIDIARIES

Consolidated Statement of Financial Position as at 31 December 2013

	Notes	2013 KD	2012 KD
ASSETS			
Current assets			
Cash and bank balances	4	7,269,033	5,358,060
Trade and other receivables	5	6,678,250	4,729,586
Inventories		87,125	67,007
		14,034,408	10,154,653
Non-current assets			
Property and equipment	7	21,292,053	20,912,940
Intangible assets	8	8,632,039	8,611,668
Investment in associates	9	545,563	523,923
Investment available for sale	10	468	468
		30,470,123	30,048,999
Total assets		44,504,531	40,203,652
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts	4	69,950	187,826
Short-term loan	11	-	750,000
Trade and other payables		742,702	589,830
Accruals and other liabilities	12	3,643,554	2,012,602
Deferred income	13	3,105,279	2,317,643
Retentions payable		543,498	810,825
Current portion of long-term debts	14	3,012,000	1,991,000
		11,116,983	8,659,726
Non-current liabilities			
Long-term debts	14	5,293,715	7,111,982
Provision for staff indemnity		822,808	599,382
		6,116,523	7,711,364
Total liabilities		17,233,506	16,371,090
Equity			
Share capital	15	11,424,000	11,424,000
Share premium		1,512,000	1,512,000
Statutory reserve	16	2,183,780	1,644,156
Voluntary reserve	17	2,183,780	1,644,156
Treasury shares	18	(37,753)	(37,753)
Gain on sale of treasury shares		495,654	495,654
Retained earnings		9,517,781	7,161,012
Foreign currency translation reserve		(8,217)	(10,663)
Total equity		27,271,025	23,832,562
Total liabilities and equity		44,504,531	40,203,652

Mr. Tareq Fahad Al Othman
Chairman

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements.

	Notes	2013 KD	2012 KD
Revenue		20,567,813	15,195,379
Cost of operations	19	(6,233,381)	(4,863,589)
Gross profit		14,334,432	10,331,790
General and administrative expenses	20	(7,005,384)	(5,805,972)
Selling expenses	21	(1,549,572)	(1,194,814)
Property and equipment and intangible assets written off		-	(634,788)
Finance charges		(501,344)	(308,200)
Share of profit of associates	9	21,673	55,156
Other income		96,438	118,055
Profit before contribution to Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		5,396,243	2,561,227
Contribution to KFAS	22	(49,975)	(23,051)
NLST	23	(143,096)	(68,894)
Zakat	24	(58,654)	(33,507)
Profit for the year		5,144,518	2,435,775
Basic and diluted earnings per share (fils)	25	45	21

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements.

	2013	2012
	KD	KD
Profit for the year	5,144,518	2,435,775
Other comprehensive income		
Items that may be reclassified subsequently to consolidated statement of profit or loss:		
Foreign currency translation adjustments	2,446	8,482
Other comprehensive income for the year	2,446	8,482
Total comprehensive income for the year	5,146,964	2,444,257

The accompanying notes set out on pages 8 to 35 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 2011	11,424,000	1,512,000	1,388,033	1,388,033	(28,318)	495,654	5,237,483	(19,145)	21,397,740
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	(37,753)	495,654	7,161,012	(10,663)	23,832,562
Total comprehensive income for the year	-	-	-	-	-	-	5,144,518	2,446	5,146,964
Transfer to reserves	-	-	539,624	539,624	-	-	(1,079,248)	-	-
Dividend – 2012 (Note 30)	-	-	-	-	-	-	(1,708,501)	-	(1,708,501)
Balance as at 31 December 2013	11,424,000	1,512,000	2,183,780	2,183,780	(37,753)	495,654	9,517,781	(8,217)	27,271,025

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements.

	Notes	2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST and Zakat		5,396,243	2,561,227
Adjustments for :			
Depreciation and amortisation	7 & 8	1,292,163	960,141
Finance charges		501,344	308,200
Provision for staff indemnity		277,605	201,495
Allowance for doubtful debts	5	104,197	101,869
Property and equipment and intangible assets written off	7 & 8	-	634,788
Share of profit of associates	9	(21,673)	(55,156)
Interest income		(237)	(541)
		7,549,642	4,712,023
Increase in trade and other receivables		(2,052,829)	(246,777)
Increase in inventories		(20,118)	(13,543)
Increase / (decrease) in trade and other payables		152,872	(18,560)
Increase in accruals and other liabilities		1,481,153	663,647
Increase in deferred income		787,636	632,830
(Decrease) / increase in retentions payable		(267,327)	368,160
		7,631,029	6,097,780
Payment of staff indemnity		(54,191)	(63,648)
Payment of KFAS		(23,051)	(22,533)
Payment of NLST		(68,894)	(57,076)
Payment of Zakat		(33,507)	(24,644)
Net cash generated from operating activities		7,451,386	5,929,879
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(1,633,338)	(6,011,354)
Payments for intangible assets	8	(58,136)	(52,536)
Interest income received		237	541
Net cash used in investing activities		(1,691,237)	(6,063,349)
FINANCING ACTIVITIES			
Decrease in short-term loan		(750,000)	-
(Decrease) / increase in long-term debts		(797,267)	3,395,206
Purchase of treasury shares		-	(9,435)
Finance charges paid		(508,038)	(293,471)
Dividend paid		(1,678,281)	-
Net cash (used in) / from financing activities		(3,733,586)	3,092,300
Net increase in cash and cash equivalents		2,026,563	2,958,830
Effects of exchange rate changes on cash and cash equivalents		2,286	(115)
Cash and cash equivalents at beginning of the year		5,170,234	2,211,519
Cash and cash equivalents at end of the year	4	7,199,083	5,170,234

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements.

1. OWNERSHIP AND ACTIVITIES

Humansoft Holding Company K.S.C.P. ("the Parent Company") is a 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.

These consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 26 March 2014 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 conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "available for sale". These consolidated financial statements have been presented in Kuwaiti Dinars.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 31.

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 previous year, except for the following new and amended IASB Standards during the year:

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments)

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 these amendments have not resulted in any material impact on the consolidated financial statements of the Group.

IFRS 10: Consolidated Financial Statements

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. The adoption of this Standard has not resulted in any material impact on the consolidated financial position or performance of the Group.

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

2.2 New and revised accounting standards (Continued)

Effective for the current year (Continued)

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, for example, where a subsidiary is controlled with less than a majority of voting rights. The adoption of this Standard has not resulted in any material additional disclosures.

IFRS 13: Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

IAS 1: Presentation of Financial Statements

The Group has applied the amendments to IAS 1 on presentation of items of other comprehensive income for the first time in the current year. The amendments introduce new terminology whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 also introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to statement of profit or loss at a future point in time (e.g., 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) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1: Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. As a result, the Group has not included any additional voluntarily comparative information in its financial statements. The amendment has no impact on the Group's financial position or performance.

IAS 27: Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

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

2.2 New and revised accounting standards (Continued)

IAS 32: Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial statements of the Group, as there are no tax consequences attached to cash or non-cash distribution.

Issued but not yet effective

The following IASB Standards have been issued/ amended but are not yet mandatory, and have not been adopted by 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. In subsequent phases, the IASB is addressing 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 is not expected to have on financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final Standard including all phases is issued. The Standard was initially effective for annual periods beginning on or after 1 January 2013, but IASB in its November 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known.

IAS 32 Offsetting Financial Assets and Financial Liabilities (amendments) (effective for annual period beginning on or after 1 January 2014)

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". 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. The adoption of the amendment is not expected to have any impact on the consolidated financial position, performance, or disclosures in the consolidated financial statements of the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

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.

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

2.3 Business combinations (Continued)

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 profit or loss. 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.

2.4 Consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

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;
- Voting rights and potential voting rights;

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 profit or loss. 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.

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

2.4 Consolidation (Continued)

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited 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 profit or loss.

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.

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 profit or loss or in the consolidated statement of profit and loss and other 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 profit or loss and other 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 profit or loss as gains or losses.

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

2.5 Financial instruments (Continued)

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.

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 profit or loss. 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.

2.6 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 direct or indirect shareholding of more than 20% 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 profit or loss, 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 profit or loss.

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 profit or loss.

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss.

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 financial projections 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss.

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 profit or loss and other comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of profit or loss 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 profit or loss 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.

2.14 Post-employment benefits

The Group provides post-employment benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the 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 makes contributions to a government scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in 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 profit or loss 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.

2.20 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

The principal subsidiaries of the Parent Company are:

Subsidiary	Country of incorporation	Direct ownership %		Indirect ownership %		Principal activity
		2013	2012	2013	2012	
Humansoft Learning Company K.S.C. (Closed) and its subsidiaries	Kuwait	99.58	99.58	0.42	0.42	Computer education & training executive courses
Al-Arabia Educational Enterprises Company K.S.C. (Closed)	Kuwait	99.85	99.85	0.15	0.15	Establishment and operation of University & college
Track Learning Solutions Co. W.L.L.	Kuwait	1	1	99	99	Computer programming, advertisement publication and distribution
Expression for Private Training Company W.L.L.	Kuwait	1	1	99	99	Open private training institutes
Excellence Training & Development Co. W.L.L.	Kuwait	1	1	99	99	Computer education & executive training courses
Humansoft Free Zone – L.L.C.	U.A.E.	100	100	-	-	Technology, e-commerce & media
Tawteen Human Investment Co. P.J.S.C.	U.A.E.	-	-	100	100	Establishment and operation of educational institutions
New Horizon Training Centre L.L.C.	U.A.E.	-	-	100	100	Computer education & executive training courses
Innovative Educational Facilities Management L.L.C	U.A.E.	-	-	100	100	Establishment and operation of educational institutions
Humansoft Learning Solutions	Qatar	-	-	100	100	Administration Training Services

The financial statements of the above subsidiaries are consolidated into the Group, using the aggregate of the direct and indirect ownership.

4. CASH AND CASH EQUIVALENTS

	2013	2012
	KD	KD
Cash on hand and at banks	7,192,343	5,166,460
Short-term deposits with banks	76,690	191,600
Cash and bank balances	7,269,033	5,358,060
Less: Bank overdrafts	(69,950)	(187,826)
Cash and cash equivalents	7,199,083	5,170,234

Overdraft facilities from local banks are denominated in KD and as at 31 December 2013 bear interest ranging from 2% -2.5% (2012: 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 980,050 (2012: KD 862,174).

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% (2012 – 0.2%) per annum.

5. TRADE AND OTHER RECEIVABLES

	2013	2012
	KD	KD
Trade receivables	6,549,846	4,570,192
Less: Allowance for doubtful debts	(467,738)	(363,573)
	6,082,108	4,206,619
Prepaid expenses	374,808	288,205
Advance to suppliers	82,754	55,381
Staff receivables	36,077	47,211
Refundable deposits	102,503	132,170
	6,678,250	4,729,586

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 2013, trade receivables of KD 330,767 (2012: KD 4,012,612) were fully performing.

Included in the Group's trade receivables are debtors with a carrying amount of KD 5,751,341 (2012: KD 194,007) 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. This includes KD 5,212,799 (2012: KD 3,666,737) receivables from a government entity based in Kuwait, of which KD 4,680,875 (2012: 2,608,026) was recovered subsequent to the consolidated statement of financial position date.

Aging of past due but not impaired

	2013	2012
	KD	KD
61 - 90 days	33,055	52,157
91 - 120 days	5,704,586	87,917
120+ days	13,700	53,933
Total	5,751,341	194,007

5. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2013	2012
Movement in the allowance for doubtful debts:		
Balance at beginning of the year	363,573	306,594
Charge for the year	104,197	101,869
Amounts written off as uncollectible	-	(45,184)
Foreign currency translation effect	(32)	294
Balance at the end of the year	467,738	363,573

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

	2013	2012
	KD	KD
KD	6,209,643	4,240,415
UAE Dirham	280,926	244,659
Other currencies	59,277	85,118
	6,549,846	4,570,192

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:

	2013	2012
	KD	KD
a) Consolidated statement of profit or loss		
General and administrative expenses	46,575	41,711
b) Compensation of key management personnel		
Short-term benefits	658,687	802,816
Post-employment benefits	20,612	7,851
	679,299	810,667

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 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
Additions	-	37,059	173,878	82,842	94,697	714	1,244,148	1,633,338
Transfers from CWIP	-	176,189	231	210	1,575	-	(178,205)	-
Exchange adjustments	-	-	152	104	58	-	-	314
Balance as at 31 December 2013	5,297,030	16,702,187	1,514,501	973,992	474,169	48,096	1,085,075	26,095,050
Accumulated depreciation								
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
Charge for the year	-	962,912	117,457	114,929	50,381	8,557	-	1,254,236
Exchange adjustments	-	-	149	100	54	-	-	303
Balance as at 31 December 2013	-	2,427,682	1,256,149	746,112	340,420	32,634	-	4,802,997
Carrying amount								
As at 31 December 2013	5,297,030	14,274,505	258,352	227,880	133,749	15,462	1,085,075	21,292,053
As at 31 December 2012	5,297,030	15,024,169	201,697	259,753	87,854	23,305	19,132	20,912,940

The freehold land is under registered mortgage to secure the long-term debt amounting to KD 8,305,715 (2012: KD 8,951,982) (See note 14). Capital work in progress includes borrowing costs capitalised during the year amounting to KD Nil (2012: KD 182,114).

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 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
Additions	-	-	1,896	-	-	56,240	58,136
Transfers from CWIP	-	-	7,290	-	-	(7,290)	-
Exchange adjustments	162	-	43	31	-	-	236
Balance as at 31 December 2013	1,800,911	6,752,000	695,722	187,690	74,179	57,614	9,568,116
Accumulated amortisation	-	-					
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
Charge for the year	-	-	30,149	972	6,806	-	37,927
Exchange adjustments	-	-	43	31	-	-	74
Balance as at 31 December 2013	-	-	691,944	186,163	57,970	-	936,077
Carrying amount	-	-					
As at 31 December 2013	1,800,911	6,752,000	3,778	1,527	16,209	57,614	8,632,039
As at 31 December 2012	1,800,749	6,752,000	24,741	2,499	23,015	8,664	8,611,668

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 :

	2013	2012
	KD	KD
Excellence Training & Development Co. W.L.L.	1,552,500	1,552,500
New Horizons Training Center (Branch of Innovative Educational Facilities Management L.L.C.)	148,198	148,101
New Horizons Training Center L.L.C.	100,213	100,148
	1,800,911	1,800,749

University & college licenses

University & college licenses represent intangible assets with indefinite useful lives. 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 projections 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 projections covering a five year period. The recoverable amount so obtained was significantly above the carrying amount of the CGUs.

9. INVESTMENT IN ASSOCIATES

Details of the major investment in associated companies at 31 December are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest 2013	Proportion of ownership interest 2012	Principal activity
New Horizons Computer 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

Summarized financial information in respect of New Horizons Computer Training Company W.L.L.is set out below:

	2013 KD	2012 KD
Current assets	898,964	879,440
Non-current assets	59,180	73,880
Total assets	958,144	953,320
Current liabilities	251,572	251,282
Non-current liabilities	45,182	48,703
Total liabilities	296,754	299,985
Net assets	661,390	653,335
Group's share of net assets	264,556	261,334
Goodwill from acquisition of investment in associate	103,884	103,870
Total carrying value in Group's consolidated financial statements	368,440	365,204
Total revenue	612,314	634,602
Profit and comprehensive income for the year	8,008	53,215
Group's share of results	3,203	21,286

Summarized financial information in respect of Al Arabia Training Company W.L.L.is set out below:

	2013 KD	2012 KD
Current assets	494,129	429,787
Non-current assets	25,757	36,451
Total assets	519,886	466,238
Current liabilities	66,429	56,002
Non-current liabilities	10,649	13,440
Total liabilities	77,078	69,442
Net assets	442,808	396,796
Group's share of net assets	177,123	158,719
Total revenue	462,960	464,786
Profit and comprehensive income for the year	46,176	84,675
Group's share of results	18,470	33,870

9. INVESTMENT IN ASSOCIATES (CONTINUED)

Summarized financial information in respect of Tawteen Human Investment Company W.L.L., which is immaterial to the Group, is set out below:

	2013	2012
	KD	KD
Current assets	3,294	18,562
Total assets	3,294	18,562
Current liabilities	1,160	15,013
Non-current liabilities	115,965	115,950
Total liabilities	117,125	130,963
Net assets	(113,831)	(112,401)
Group's share of net assets	-	-
Total revenue	-	-
Loss for the year	(1,422)	(107,406)
Group's share of results	-	-

Tawteen Human Investment Company has not generated any revenue in the current year (2012: 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

	2013	2012
	KD	KD
Investment in local unquoted shares	468	468

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

11. SHORT-TERM LOAN

	2013	2012
	KD	KD
Short-term loan	-	750,000

The revolving short-term loan from a local bank denominated in KD and bearing interest rate of 2.5% (2012: 2.5%) per annum over the CBK discount rate was fully repaid during the year. The loan was secured by the corporate guarantee of the Parent Company and assignment of receivables from a government entity. As at the consolidated statement of financial position date, the undrawn short term loan amounted to KD 2,500,000 (2012: KD Nil).

12. ACCRUALS AND OTHER LIABILITIES

	2013	2012
	KD	KD
Staff payable	2,580,792	1,159,239
Accrued expenses	482,605	462,654
Advance from students	220,867	135,079
Others	359,290	255,630
	3,643,554	2,012,602

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

	2013	2012
	KD	KD
Current portion	3,012,000	1,991,000
Non-current portion	5,293,715	7,111,982
	8,305,715	9,102,982

Long-term debts consist of the following:

Description	2013	2012
	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
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
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
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	5,000,000
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.	3,305,715	2,111,982
	8,305,715	9,102,982

Long-term loans ((ii), (iii), (iv) and (v) above) amounting to KD 8,305,715 (2012: KD 8,951,982) is secured by mortgage of freehold land with a carrying value of KD 5,297,030 (2012: 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 6,894,285 (2012: KD 1,888,018).

15. SHARE CAPITAL

Share capital comprises of 114,240,000 authorised and issued shares of 100 fils (2012: 114,240,000 shares of 100 fils) each fully paid in cash.

16. STATUTORY RESERVE

As required by the Companies Law No. 25 of 2012, as amended and the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST and Zakat has been transferred to 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

	2013	2012
Number of shares	339,957	339,957
Percentage of issued shares	0.3%	0.3%
Market value (KD)	78,190	100,287

19. COST OF OPERATIONS

	2013 KD	2012 KD
Staff salaries and related costs	5,530,586	3,463,924
Facilities costs	457,271	1,213,307
Material costs	231,469	174,091
Others	14,055	12,267
	6,233,381	4,863,589

An amount of KD 113,358 (2012: 815,209) included in facilities costs represent the cost of temporary structures and other related costs incurred during the year.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2013 KD	2012 KD
Staff salaries and related costs	2,989,477	2,876,602
Facilities costs	1,297,202	940,922
Depreciation and amortisation	1,292,163	960,141
Other administration expenses	1,426,542	1,028,307
	7,005,384	5,805,972

21. SELLING EXPENSES

	2013 KD	2012 KD
Staff salaries and related costs	416,381	413,402
Advertising and sales promotion	874,409	498,503
Allowance for doubtful debts	104,197	101,869
Other selling expenses	154,585	181,040
	1,549,572	1,194,814

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:

	2013 KD	2012 KD
The Parent Company	-	6,385
Al Arabia Education Enterprises Company K.S.C. (Closed)	46,886	13,636
Humansoft Learning Company K.S.C. (Closed)	3,089	3,030
	49,975	23,051

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:

	2013	2012
	KD	KD
Profit for the year	5,144,518	2,435,775
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	(339,957)	(320,436)
Weighted average number of outstanding shares	113,900,043	113,919,564
Basic and diluted earnings per share (fils)	45	21

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 its 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
2013						
Segment revenues	1,649,480	968,016	638,467	17,311,850	-	20,567,813
Segment expenses	(1,401,594)	(721,325)	(580,608)	(10,541,593)	(502,779)	(13,747,899)
Depreciation and amortisation	(2,781)	(13,568)	(8,564)	(1,264,098)	(3,152)	(1,292,163)
Finance charges	-	-	-	(489,079)	(12,265)	(501,344)
Share of profit of associates	-	-	-	-	21,673	21,673
Other income	1,370	-	1,251	93,562	255	96,438
Profit for the year	246,475	233,123	50,546	5,110,642	(496,268)	5,144,518
Assets						
Segment total assets	1,122,740	544,128	387,204	33,998,354	8,452,105	44,504,531
Liabilities						
Segment total liabilities	559,612	209,102	199,056	15,810,562	455,174	17,233,506

	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	8,163,908	40,203,652
Liabilities						
Segment total liabilities	507,039	200,873	186,295	14,853,756	623,127	16,371,090

26. SEGMENT INFORMATION (CONTINUED)

Segment revenue above represents income generated from external customers. There was no inter-segment income during the year (2012: 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 13,868,289 (2012: KD 9,841,537) from one of the Group's largest customer.

Secondary segment information – geographical segments:

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

2013	Inside Kuwait KD	Outside Kuwait KD	Total KD
Segment revenues	18,879,770	1,688,043	20,567,813
Segment expenses	(12,286,212)	(1,461,687)	(13,747,899)
Depreciation and amortisation	(1,255,470)	(36,693)	(1,292,163)
Finance charges	(501,344)	-	(501,344)
Share of profits of associates	-	21,673	21,673
Other income	94,888	1,550	96,438
Profit for the year	4,931,632	212,886	5,144,518
Assets			
Segment total assets	43,014,105	1,490,426	44,504,531
Liabilities			
Segment total liabilities	16,698,265	535,241	17,233,506

2012	Inside Kuwait KD	Outside Kuwait KD	Total 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	38,688,564	1,515,088	40,203,652
Liabilities			
Segment total liabilities	15,921,649	449,441	16,371,090

27. COMMITMENTS AND CONTINGENT LIABILITIES

	2013	2012
	KD	KD
Commitments		
Capital commitments for construction	434,073	617,826
Operating lease commitments for land	1,323,500	1,414,000
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	871,000	961,500
	1,323,500	1,414,000
Contingent liabilities		
Letters of guarantee	1,186,576	1,202,393

28. FINANCIAL RISK MANAGEMENT

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

	Loans and receivables	Available for sale
	KD	KD
31 December 2013		
Cash and bank balances	7,269,033	-
Trade and other receivables	6,220,688	-
Investment available for sale	-	468
Total	13,489,721	468
31 December 2012		
Cash and bank balances	5,358,060	-
Trade and other receivables	4,386,000	-
Investment available for sale	-	468
Total	9,744,060	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 other price risk. The Group is not exposed to other 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 2013, 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 82,290 (2012 - KD 98,492).

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, 86% (2012: 80%) of the total receivable is derived from the Group's largest counterparty which is a government entity (See note 26).

Maximum exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the consolidated statement of financial position date was:

	2013	2012
	KD	KD
Bank balances	7,254,115	5,344,500
Trade and other receivables	6,220,688	4,386,000
	13,474,803	9,730,500

For more information refer to Notes 4 and 5. Past due but 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 2013	KD	KD	KD	KD
Financial liabilities				
Bank overdrafts	69,950	-	-	-
Trade and other payables	742,702	-	-	-
Accruals and other liabilities	3,422,687	-	-	-
Retentions payable	543,498	-	-	-
Long-term debts	3,385,984	3,220,324	2,344,462	-
	8,164,821	3,220,324	2,344,462	-
Commitments				
Capital commitments for construction	434,073	-	-	-
Operating lease commitments for land	90,500	90,500	271,500	871,000

	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

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of financial instruments carried at amortised cost approximate their carrying values. This is based on unobservable market data (Level 3 inputs), with the discount rate that reflects the credit risk of counter parties, being the most significant input.

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.

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:

	2013	2012
	KD	KD
Total Borrowings (i)	8,305,715	9,852,982
Less: Cash and cash equivalents	(7,199,083)	(5,170,234)
Net debts	1,106,632	4,682,748
Total Equity	27,271,025	23,832,562
Total Capital	28,377,657	28,515,310
Gearing ratio	4%	16%

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

30. DIVIDEND DISTRIBUTION

Dividend - 2012

The annual general assembly of the shareholders' held on 12 May 2013 approved the annual audited consolidated financial statements of the Group for the year ended 31 December 2012 and also approved the Board of Directors' proposal to distribute dividend of KD 1,708,501 for the year ended 31 December 2012 (31 December 2011: Nil).

Proposed dividend - 2013

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 35 fils per share (2012 - 15 fils per share) and bonus shares of 7 % (2012 - Nil) on outstanding shares to the registered shareholders as of the date of the Annual General Meeting.

31. 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.

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

Key sources of estimation uncertainty (Continued)

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 profit or loss. 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.

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.