

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



**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT FOR THE  
YEAR ENDED 31 DECEMBER 2017**

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF HUMANSOFT HOLDING COMPANY K.S.C.P.

#### Report on the Audit of Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Humansoft Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matter:

#### *Impairment of goodwill and other intangible assets*

As disclosed in note 8 of the consolidated financial statements, the Group has goodwill and other intangible assets of KD 7,364,365 (2016: KD 7,321,603) which is allocated across cash generating units (CGUs). Goodwill and other intangible assets with indefinite useful lives are required to be tested for impairment annually. Impairment of goodwill and other intangible assets was considered to be a key audit matter due to its significance to the Group's consolidated statement of financial position, and due to the judgment involved in the assessment of the value-in-use method of the Group's CGUs performed by the Group management. The judgment relates to the future results of the CGU and the discount rates applied to discount future cash flows.

**Report on the Audit of Consolidated Financial Statements (continued)****Key Audit Matters (continued)**

As part of our audit procedures, we evaluated the design and implementation of the Group management's control process over impairment assessment. We obtained the Group management's impairment calculations and tested the reasonableness of key assumptions including the cash flow projections, discount rates and terminal growth rates. We assessed growth rates and discount rates by comparison with third party information. Future cash flow assumptions were also assessed through comparison of current performance with management forecasts. Additionally, we analysed the sensitivities such as the impact on the recoverable value if the growth rate would be decreased, or the discount rate would be increased. We also assessed the adequacy of the Group's disclosures included in note 8 of the consolidated financial statements about those assumptions to which the outcome of the impairment test is more sensitive. The Group's policy on assessing impairment of these items is given in notes 2.10 and 2.11 of the consolidated financial statements.

**Other information included in the Parent Company's 2017 Annual Report**

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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

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

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

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

## **Report on the Audit of Consolidated Financial Statements (continued)**

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.


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

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

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


## Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors 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 information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended; and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended; or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



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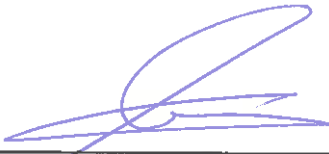
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20 February 2018

Kuwait

	Notes	2017 KD	2016 KD
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	20,150,329	20,011,076
Trade and other receivables	5	20,090,693	17,851,239
Inventories		52,677	67,412
		<u>40,293,699</u>	<u>37,929,727</u>
<b>Non-current assets</b>			
Property and equipment	7	50,123,521	39,769,288
Intangible assets	8	7,364,365	7,321,603
Investment in associates	9	664,156	629,218
Investment available for sale		-	468
		<u>58,152,042</u>	<u>47,720,577</u>
<b>Total assets</b>		<u>98,445,741</u>	<u>85,650,304</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank overdrafts	4	648,954	1,499,284
Short-term loan		-	2,000,000
Trade and other payables		1,070,410	1,419,479
Accruals and other liabilities	10	6,399,339	7,362,524
Deferred income	11	5,771,525	5,081,711
Retentions payable		1,677,864	1,094,119
Current portion of long-term debts	12	6,696,000	3,013,500
		<u>22,264,092</u>	<u>21,470,617</u>
<b>Non-current liabilities</b>			
Long-term debts	12	16,642,002	13,847,513
Provision for staff indemnity		2,670,668	2,080,800
		<u>19,312,670</u>	<u>15,928,313</u>
<b>Total liabilities</b>		<u>41,576,762</u>	<u>37,398,930</u>
<b>Equity</b>			
Share capital	13	12,223,680	12,223,680
Share premium		1,512,000	1,512,000
Statutory reserve	14	6,111,840	6,111,840
Voluntary reserve	15	6,111,840	6,111,840
Treasury shares	16	(288,877)	(288,877)
Gain on sale of treasury shares		564,013	564,013
Retained earnings		30,542,681	21,903,526
Foreign currency translation reserve		91,802	113,352
<b>Total equity</b>		<u>56,868,979</u>	<u>48,251,374</u>
<b>Total liabilities and equity</b>		<u>98,445,741</u>	<u>85,650,304</u>



Mr. Tareq Fahad Al Othman  
Chairman

The accompanying notes set out on pages 10 to 36 form an integral part of these consolidated financial statements.

		2017	2016
	Notes	KD	KD
Revenue		61,796,575	54,504,496
Cost of operations	17	(14,234,837)	(12,710,707)
Gross profit		47,561,738	41,793,789
General and administrative expenses	18	(14,084,800)	(12,771,290)
Selling expenses	19	(3,306,934)	(2,701,751)
Finance charges		(1,287,581)	(1,125,457)
Share of profit of associates	9	43,150	60,725
Other income		752,403	283,241
<b>Profit before contribution to Kuwait Foundation for Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”), Zakat and Directors’ remuneration</b>		<b>29,677,976</b>	<b>25,539,257</b>
Contribution to KFAS	20	(304,688)	(262,002)
NLST	21	(758,988)	(654,499)
Zakat	22	(310,449)	(267,733)
Directors’ remuneration		(200,000)	(150,000)
<b>Profit for the year</b>		<b>28,103,851</b>	<b>24,205,023</b>
<b>Basic and diluted earnings per share (fils)</b>	23	<b>231</b>	<b>199</b>

The accompanying notes set out on pages 10 to 36 form an integral part of these consolidated financial statements.



	<u>2017</u>	<u>2016</u>
	KD	KD
<b>Profit for the year</b>	<u>28,103,851</u>	<u>24,205,023</u>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>		
Foreign currency translation adjustments	<u>(21,550)</u>	<u>(2,871)</u>
<b>Other comprehensive income for the year</b>	<u>(21,550)</u>	<u>(2,871)</u>
<b>Total comprehensive income for the year</b>	<u><u>28,082,301</u></u>	<u><u>24,202,152</u></u>

The accompanying notes set out on pages 10 to 36 form an integral part of these consolidated financial statements.

**HUMANISOFT HOLDING COMPANY K.S.C.P. AND SUBSIDIARIES**

Consolidated Statement of Changes in Equity - year ended 31 December 2017

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Gain on sale of treasury shares	Retained earnings	Foreign currency translation reserve	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance as at 31 December 2015</b>	12,223,680	1,512,000	4,908,463	4,908,463	(116,725)	564,013	14,095,507	116,223	38,211,624
Total comprehensive income for the year	-	-	-	-	-	-	24,205,023	(2,871)	24,202,152
Transfer to reserves	-	-	1,203,377	1,203,377	-	-	(2,406,754)	-	-
Purchase of treasury shares	-	-	-	-	(172,152)	-	-	-	(172,152)
Dividend – 2015 (Note 28)	-	-	-	-	-	-	(13,990,250)	-	(13,990,250)
<b>Balance as at 31 December 2016</b>	12,223,680	1,512,000	6,111,840	6,111,840	(288,877)	564,013	21,903,526	113,352	48,251,374
Total comprehensive income for the year	-	-	-	-	-	-	28,103,851	(21,550)	28,082,301
Dividend – 2016 (Note 28)	-	-	-	-	-	-	(19,464,696)	-	(19,464,696)
<b>Balance as at 31 December 2017</b>	12,223,680	1,512,000	6,111,840	6,111,840	(288,877)	564,013	30,542,681	91,802	56,868,979

The accompanying notes set out on pages 10 to 36 form an integral part of these consolidated financial statements.

	Notes	2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		29,677,976	25,539,257
Adjustments for :			
Depreciation and amortisation	7 & 8	2,463,800	1,974,364
Provision for staff indemnity		880,708	614,674
Allowance for doubtful debts	5	64,242	167,637
Gain on disposal of property and equipment	7 & 8	(111)	(842)
Gain on disposal of investment available for sale		(67,616)	-
Finance charges		1,287,581	1,125,457
Share of profit of associates	9	(43,150)	(60,725)
Interest income		-	(24)
		<u>34,263,430</u>	<u>29,359,798</u>
Increase in trade and other receivables		(2,303,997)	(2,585,042)
Decrease in inventories		14,735	14,322
Decrease in trade and other payables		(349,069)	(156,229)
(Decrease)/ increase in accruals and other liabilities		(1,258,375)	2,049,684
Increase /(decrease) in deferred income		689,814	(206,761)
Increase in retentions payable		583,745	66,567
		<u>31,640,283</u>	<u>28,542,339</u>
Payment of staff indemnity		(288,633)	(142,879)
Payment of KFAS		(262,002)	(169,974)
Payment of NLST		(654,499)	(474,020)
Payment of Zakat		(267,733)	(193,031)
Directors remuneration paid		(200,000)	(150,000)
<b>Net cash generated from operating activities</b>		<u>29,967,416</u>	<u>27,412,435</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	7	(12,777,130)	(11,962,142)
Payments for intangible assets	8	(87,964)	(160,792)
Proceeds from disposal of property and equipment		111	2,300
Investment in margin deposits		142,191	105,659
Interest income received		-	24
Proceeds on disposal of Investment available for sale		68,084	-
<b>Net cash used in investing activities</b>		<u>(12,654,708)</u>	<u>(12,014,951)</u>
<b>FINANCING ACTIVITIES</b>			
Decrease in short-term loan		(2,000,000)	(2,000,000)
Increase in term debts		6,476,989	4,304,758
Purchase of treasury shares		-	(172,152)
Finance charges paid		(1,253,107)	(1,123,211)
Dividend paid		(19,393,872)	(13,929,097)
<b>Net cash used in financing activities</b>		<u>(16,169,990)</u>	<u>(12,919,702)</u>
<b>Net increase in cash and cash equivalents</b>		1,142,718	2,477,782
Effects of exchange rate changes on cash and cash equivalents		(10,944)	(7,832)
Cash and cash equivalents at beginning of the year		18,325,222	15,855,272
<b>Cash and cash equivalents at end of the year</b>	4	<u>19,456,996</u>	<u>18,325,222</u>

The accompanying notes set out on pages 10 to 36 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 (as listed in Note 3) are together referred to as “the Group”.

The principal activities of the Parent Company are as follows:

1. Owning shares of Kuwaiti shareholding or foreign companies, as well as owning shares or stocks in Kuwaiti or foreign limited liability companies or participating in the establishment of these companies, in their two types, and their management, lending and guarantee for others.
2. Lending companies, in which it owns shares and guaranteeing them with third parties. In this case, the Company's share in the capital of the borrowing company should not be less than the 20%.
3. Owning industrial property rights such as patents, industrial trademarks, or industrial fees or any other related rights and lease them to other companies to exploit them, whether inside or outside Kuwait.
4. Owning movables and properties necessary to carry out its operations within parameters allowed as per law.
5. Exploit surplus funds available with the Company through investing in portfolios managed by specialized companies.

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 20 February 2018 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 29.

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

### 2.2.1 New standards and amendments effective from 1 January 2017

The accounting policies applied are consistent with those used in the previous year. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

### 2.2.2 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2018 have not been early adopted in the preparation of the Group's consolidated financial statements. None of these are expected to have a significant impact on the consolidated financial statements of the Group except the following:

#### **IFRS 9: Financial Instruments**

The IASB issued the final version of IFRS 9 "Financial Instruments" in July 2014 that replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date from 1 January 2018. The Group will avail of the exemption allowing it not to restate comparative information for prior periods. Differences in the carrying amounts of financial asset and financial liabilities resulting from the adoption of IFRS 9 will be recognised in opening retained earnings and reserves as at 1 January 2018.

#### **a. Classification and measurement**

IFRS 9 has a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three classification categories for financial assets: Measured at Amortised Cost; Fair Value through Other Comprehensive Income ("FVOCI") (with and without recycling of gains or losses to profit or loss on derecognition of debt and equity instruments, respectively); and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Group has evaluated the classification and measurement criteria to be adopted for various financial assets considering the IFRS 9 requirements. The Group does not expect a significant impact on its consolidated statement of financial position from applying the classification and measurement requirements of IFRS 9.

#### **b. Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The Group is allowed to compute the life time expected credit loss of its trade receivables under simplified approach.

The impairment requirement apply to financial assets measured at amortised cost.

The Group has carried out a preliminary assessment of the impact of IFRS 9. Based on this assessment, adoption of IFRS 9 is not expected to have any material effect on the Group's consolidated financial statements.

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

### 2.2.2 New standards and interpretations not yet adopted (continued)

#### IFRS 15: Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014, effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group has assessed the impact of IFRS 15. Based on the assessment, adoption of IFRS 15 is not expected to have any material effect on the Group's consolidated financial statements.

#### IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is in the process of evaluating the impact of IFRS 16 on the Group's financial statements.

### 2.3 Business combination

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 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited consolidated 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

#### **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.



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

### 2.5 Financial instruments (continued)

#### 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.

### 2.8 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:

	<b>Years</b>
Building and leasehold land improvements	20
Computers and peripherals	2-3
Furniture, fixtures and decorations	3-5
Equipment	3-5
Motor vehicles	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).

## 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 profit or loss.

### 2.10 Impairment of tangible and intangible assets (including investment 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.

### 2.11 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.

## **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 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.

### **2.12 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/billed 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.14 Post-employment benefits**

The Group provides post-employment benefits to its 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 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.

**2.16 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.

**2.17 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.

**2.18 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.

**2.19 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.

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



Notes to the Consolidated Financial Statements – 31 December 2017

### 3. SUBSIDIARIES

The principal subsidiaries of the Parent Company are:

Subsidiary	Country of incorporation	Direct ownership %		Indirect ownership %		Principal activity
		2017	2016	2017	2016	
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.	0.50	-	99.50	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 Investment in Educational Enterprises & Management L.L.C.	U.A.E.	-	-	100	100	Establishment and operation of educational institutions
Expression Training Institute L.L.C.	U.A.E.	-	-	100	100	Providing administrative business trainings and open private training institutes
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 BANK BALANCES**

	2017	2016
	KD	KD
Cash on hand and at banks	20,150,329	20,011,076
Less: Bank overdrafts	(648,954)	(1,499,284)
Less: Margin deposits with banks whose original maturity period exceeds three months from the date of acquisition, included above	(44,379)	(186,570)
Cash and cash equivalents in the statement of cash flows	<u>19,456,996</u>	<u>18,325,222</u>

Overdraft facilities from local banks are denominated in KD and as at 31 December 2017 bear interest ranging from 2% - 2.5% (2016: 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 2,101,046 (2016: KD 1,250,716).

Deposits with banks are held as margin money deposits against letter of guarantees facilities from local commercial banks.

The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

	2017	2016
	KD	KD
KD	19,263,839	19,260,588
UAE Dirham	807,748	675,467
Other currencies	78,742	75,021
	<u>20,150,329</u>	<u>20,011,076</u>

**5. TRADE AND OTHER RECEIVABLES**

	2017	2016
	KD	KD
Trade receivables	19,079,111	16,507,467
Less: Allowance for doubtful debts	(519,869)	(455,627)
	18,559,242	16,051,840
Prepaid expenses	874,157	700,443
Advance to suppliers	499,409	958,320
Staff receivables	61,443	50,948
Refundable deposits	96,442	89,688
	<u>20,090,693</u>	<u>17,851,239</u>

**5. TRADE AND OTHER RECEIVABLES (CONTINUED)**

The average credit period granted to customers is 60 days (90 days in case of “Tawteen Human Investment Company PJSC and its subsidiaries). 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 2017, trade receivables of KD 280,258 (2016: KD 279,727) were neither past due nor impaired.

Included in the Group’s trade receivables are debtors with a carrying amount of KD 18,278,984 (2016: KD 15,772,113) which are past due but not impaired. The Group does not hold any collateral over these balances. This includes receivables of KD 17,313,286 (2016: KD 15,062,526) from a government entity based in Kuwait, which has been fully recovered subsequent to the date of consolidated financial statements.

Trade receivables of KD 519,869 (2016: KD 455,627) is impaired and fully provided for.

Aging of past due but not impaired

	2017	2016
	KD	KD
61 - 90 days	13,188	7,463
91 - 120 days	18,169,810	15,677,947
120+ days	95,986	86,703
Total	<u>18,278,984</u>	<u>15,772,113</u>

	2017	2016
	KD	KD
<u>Movement in the allowance for doubtful debts:</u>		
Balance at beginning of the year	455,627	287,990
Charge for the year	99,762	209,389
Amounts written off as uncollectible	(24,925)	(1,928)
Recovery of bad debts	(10,293)	(40,469)
Foreign currency translation effect	(302)	645
Balance at the end of the year	<u>519,869</u>	<u>455,627</u>

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

	2017	2016
	KD	KD
KD	18,754,233	16,173,206
UAE Dirham	235,744	260,251
Other currencies	89,134	74,010
	<u>19,079,111</u>	<u>16,507,467</u>

The maximum exposure to credit risk at the consolidated statement of financial position date is disclosed in note 26 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:

	<u>2017</u>	<u>2016</u>
	KD	KD
<b>a) Consolidated statement of profit or loss</b>		
General and administrative expenses	-	35,231
<b>b) Compensation of key management personnel</b>		
Short-term benefits	528,611	697,997
Post-employment benefits	112,623	49,002
	<u>641,234</u>	<u>746,999</u>



Notes to the Consolidated Financial Statements --31 December 2017

**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
<b>Cost</b>								
Balance as at 31 December 2015	5,297,030	18,213,628	1,542,882	1,082,375	821,147	58,596	10,749,203	37,764,861
Additions	-	149,113	192,757	408,869	525,210	30,696	10,655,497	11,962,142
Transfers from CWIP	-	10,370,509	-	143,860	150,000	-	(10,664,369)	-
Disposals	-	-	(101,991)	(55,196)	(21,226)	-	-	(178,413)
Exchange adjustments	-	-	1,022	1,254	428	-	-	2,704
Balance as at 31 December 2016	5,297,030	28,733,250	1,634,670	1,581,162	1,475,559	89,292	10,740,331	49,551,294
Additions	-	75,869	144,173	623,104	842,375	-	11,091,609	12,777,130
Transfers from CWIP	-	6,070,586	-	3,771	-	-	(6,074,357)	-
Disposals/adjustments	-	-	(5,775)	(3,500)	5,775	-	-	(3,500)
Exchange adjustments	-	-	(2,454)	(2,492)	(933)	-	-	(5,879)
Balance as at 31 December 2017	5,297,030	34,879,705	1,770,614	2,202,045	2,322,776	89,292	15,757,583	62,319,045
<b>Accumulated depreciation</b>								
Balance as at 31 December 2015	-	5,389,579	1,213,283	868,043	483,102	50,954	-	8,004,961
Charge for the year	-	1,311,360	239,730	191,210	203,528	5,841	-	1,951,669
Disposals	-	-	(100,566)	(53,768)	(22,621)	-	-	(176,955)
Exchange adjustments	-	-	977	971	383	-	-	2,331
Balance as at 31 December 2016	-	6,700,939	1,353,424	1,006,456	664,392	56,795	-	9,782,006
Charge for the year	-	1,460,404	175,762	323,255	452,032	10,688	-	2,422,141
Disposals/adjustments	-	-	(5,775)	(3,500)	5,775	-	-	(3,500)
Exchange adjustments	-	-	(2,330)	(1,943)	(850)	-	-	(5,123)
Balance as at 31 December 2017	-	8,161,343	1,521,081	1,324,268	1,121,349	67,483	-	12,195,524
<b>Carrying amount</b>								
As at 31 December 2017	5,297,030	26,718,362	249,533	877,777	1,201,427	21,809	15,757,583	50,123,521
As at 31 December 2016	5,297,030	22,032,311	281,246	574,706	811,167	32,497	10,740,331	39,769,288

The freehold land is under registered mortgage to secure the long-term debt amounting to KD 23,338,002 (2016: KD 16,861,013) (See note 12).

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



Notes to the Consolidated Financial Statements – 31 December 2017

## 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
<b>Cost</b>							
Balance as at 31 December 2015	1,819,699	6,752,000	927,736	140,382	77,980	84,483	9,802,280
Additions	-	-	1,505	-	-	159,287	160,792
Transfers from CWIP	-	-	85,417	-	-	(85,417)	-
Exchange adjustments	1,846	-	54	-	499	-	2,399
Balance as at 31 December 2016	1,821,545	6,752,000	1,014,712	140,382	78,479	158,353	9,965,471
Additions	-	-	31,047	-	10,003	46,914	87,964
Transfers from CWIP	-	-	34,335	-	-	(34,335)	-
Disposals	-	-	(863)	-	-	-	(863)
Exchange adjustments	(3,531)	-	(26)	(7)	474	6	(3,084)
Balance as at 31 December 2017	1,818,014	6,752,000	1,079,205	140,375	88,956	170,938	10,049,488
<b>Accumulated impairment / amortisation</b>							
Balance as at 31 December 2015	1,552,500	-	856,314	139,816	71,990	-	2,620,620
Charge for the year	-	-	18,617	285	3,793	-	22,695
Exchange adjustments	-	-	11	-	542	-	553
Balance as at 31 December 2016	1,552,500	-	874,942	140,101	76,325	-	2,643,868
Charge for the year	-	-	37,565	277	3,817	-	41,659
Disposals	-	-	(863)	-	-	-	(863)
Exchange adjustments	-	-	(17)	(4)	480	-	459
Balance as at 31 December 2017	1,552,500	-	911,627	140,374	80,622	-	2,685,123
<b>Carrying amount</b>							
As at 31 December 2017	265,514	6,752,000	167,578	1	8,334	170,938	7,364,365
As at 31 December 2016	269,045	6,752,000	139,770	281	2,154	158,353	7,321,603

**8. INTANGIBLE ASSETS (CONTINUED)**

The Group tests for impairment of its intangible assets with indefinite life annually or more frequently if there are indications that goodwill might be impaired.

**Goodwill**

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 :

	2017	2016
	KD	KD
New Horizons Training Center (Branch of 'Innovative Investment in Educational Enterprises & Management LLC'), U.A.E.	158,402	160,508
New Horizons Training Center L.L.C., U.A.E.	107,112	108,537
	<u>265,514</u>	<u>269,045</u>

**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. (Closed) (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.

The key assumptions used in the estimation of value in use were as follows :

	2017	2016
Discount Rate	7% - 9%	10% - 11%
Growth Rate	5% - 6%	6% - 8%

**9. INVESTMENT IN ASSOCIATES**

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

<u>Name of associate</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest 2017</u>	<u>Proportion of ownership interest 2016</u>	<u>Principal activity</u>
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

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

	<u>2017</u>	<u>2016</u>
	KD	KD
Current assets	738,758	714,925
Non-current assets	13,582	19,308
<b>Total assets</b>	<b>752,340</b>	<b>734,233</b>
Current liabilities	130,313	138,655
Non-current liabilities	47,424	40,735
<b>Total liabilities</b>	<b>177,737</b>	<b>179,390</b>
<b>Net assets</b>	<b>574,603</b>	<b>554,843</b>
Group's share of net assets	229,841	221,937
Goodwill from acquisition of investment in associate	110,965	112,510
<b>Total carrying value in Group's consolidated financial statements</b>	<b>340,806</b>	<b>334,447</b>
Total revenue	567,208	563,534
Profit and comprehensive income for the year	27,111	19,891
Group's share of results	10,844	7,956

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

	<u>2017</u>	<u>2016</u>
	KD	KD
Current assets	865,346	823,141
Non-current assets	5,757	7,167
<b>Total assets</b>	<b>871,103</b>	<b>830,308</b>
Current liabilities	56,038	81,797
Non-current liabilities	6,691	11,584
<b>Total liabilities</b>	<b>62,729</b>	<b>93,381</b>
<b>Net assets</b>	<b>808,374</b>	<b>736,927</b>
Group's share of net assets	323,350	294,771
Total revenue	490,326	549,956
Profit and comprehensive income for the year	80,764	131,922
Group's share of results	32,306	52,769

**10. ACCRUALS AND OTHER LIABILITIES**

	2017	2016
	KD	KD
Staff payables	2,767,428	2,601,957
Accrued expenses	1,743,336	3,142,521
Advance from students	223,402	214,696
Others	1,665,173	1,403,350
	<u>6,399,339</u>	<u>7,362,524</u>

**11. DEFERRED INCOME**

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

**12. LONG-TERM DEBTS**

	2017	2016
	KD	KD
Current portion	6,696,000	3,013,500
Non-current portion	16,642,002	13,847,513
	<u>23,338,002</u>	<u>16,861,013</u>

Long-term debts consist of the following:

<u>Description</u>	2017	2016
	KD	KD
i. KD 6,200,000 from a local bank that bears an interest rate of 3.5% over the Central Bank of Kuwait (“CBK”) discount rate per annum. The loan will be repaid in 36 monthly instalments starting from 15 July 2016.	3,086,000	5,162,000
ii. KD 15,000,000 from a local bank that bears an interest rate of 2.5% over the CBK discount rate per annum. The loan will be repaid in 48 monthly instalments starting from 31 October 2017.	13,859,145	11,699,013
iii. KD 7,000,000 from a local bank that bears an interest rate of 2.5% over the CBK discount rate per annum. The loan will be repaid in 48 monthly instalments starting from 15 July 2018.	2,257,700	-
iv. KD 12,000,000 from a local bank that bears an interest rate of 2.5% over the CBK discount rate per annum. The loan will be repaid in 60 monthly instalments starting from 15 July 2019.	4,135,157	-
	<u>23,338,002</u>	<u>16,861,013</u>

The above loans of KD 23,338,002 (2016: KD 16,861,013) are secured by mortgage of freehold land with a carrying value of KD 5,297,030 (2016: KD 5,297,030) 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 12,810,498 (2016: KD 10,300,987).

**13. SHARE CAPITAL**

Share capital comprises of 122,236,800 authorised and issued shares of 100 fils (2016: 122,236,800 shares of 100 fils) each fully paid in cash.

**14. STATUTORY RESERVE**

As required by the Companies Law No. 1 of 2016 and the executive regulations and the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration has been transferred to statutory reserve, subject to maximum 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. During the year, the Board of Directors proposed to discontinue transfer to statutory reserve after it reached 50% of the paid up share capital. This is subject to approval of the shareholders in the Annual General Meeting.

**15. VOLUNTARY RESERVE**

In accordance with the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the voluntary reserve until the shareholders decide to discontinue the transfer. During the year, the Board of Directors proposed to discontinue transfer to voluntary reserve after it reached 50% of the paid up share capital. This is subject to approval of the shareholders in the Annual General Meeting.

**16. TREASURY SHARES**

	2017	2016
Number of shares	582,448	582,448
Percentage of issued shares	0.48%	0.48%
Market value (KD)	2,177,773	1,572,610

An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve, share premium, treasury shares reserve and retained earnings throughout the holding period of treasury shares.

**17. COST OF OPERATIONS**

	2017	2016
	KD	KD
Staff salaries and related costs	13,659,902	12,119,719
Facilities costs	277,978	293,861
Material costs	283,161	282,261
Others	13,796	14,866
	<u>14,234,837</u>	<u>12,710,707</u>

**18. GENERAL AND ADMINISTRATIVE EXPENSES**

	2017	2016
	KD	KD
Staff salaries and related costs	5,335,610	4,559,764
Facilities costs	2,736,868	3,341,857
Depreciation and amortisation	2,463,800	1,974,364
Other administration expenses	3,548,522	2,895,305
	<u>14,084,800</u>	<u>12,771,290</u>

**19. SELLING EXPENSES**

	2017	2016
	KD	KD
Staff salaries and related costs	339,087	361,023
Advertising and sales promotion	2,673,201	1,985,775
Allowance for doubtful debts (net of recovery)	89,468	168,920
Other selling expenses	205,178	186,033
	<u>3,306,934</u>	<u>2,701,751</u>

**20. 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:

	2017	2016
	KD	KD
Al Arabia Education Enterprises Company K.S.C. (Closed)	<u>304,688</u>	<u>262,002</u>

**21. NATIONAL LABOUR SUPPORT TAX (“NLST”)**

This is computed at 2.5% of profit for the year after transfer to statutory reserve.

**22. ZAKAT**

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

**23. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share is calculated as follows:

	2017	2016
	KD	KD
Profit for the year	<u>28,103,851</u>	<u>24,205,023</u>
Number of shares outstanding:		
Weighted average number of paid up shares	122,236,800	122,236,800
Less: Weighted average number of treasury shares outstanding	<u>(582,448)</u>	<u>(520,799)</u>
Weighted average number of outstanding shares	<u>121,654,352</u>	<u>121,716,001</u>
<b>Basic and diluted earnings per share (fils)</b>	<u>231</u>	<u>199</u>

**24. 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.

**24. SEGMENT INFORMATION (CONTINUED)**

Segment information by business segments is as follows:

	<b>Training and career development programs</b>	<b>English training</b>	<b>Learning solutions</b>	<b>Higher education</b>	<b>Others</b>	<b>Total</b>
	KD	KD	KD	KD	KD	KD
<b>2017</b>						
Segment revenues	1,265,165	909,888	744,195	58,877,327	-	61,796,575
Segment expenses	(1,264,981)	(795,068)	(622,784)	(26,270,916)	(1,783,147)	(30,736,896)
Depreciation and amortisation	(20,494)	(19,896)	(41,566)	(2,370,218)	(11,626)	(2,463,800)
Finance charges	-	-	-	(1,069,300)	(218,281)	(1,287,581)
Share of profit of associates	-	-	-	-	43,150	43,150
Other income	15,081	6,182	16,422	646,801	67,917	752,403
Profit/(loss) for the year	(5,229)	101,106	96,267	29,813,694	(1,901,987)	28,103,851
<b>Assets</b>						
Segment total assets	882,320	488,031	605,526	89,016,303	7,453,561	98,445,741
<b>Liabilities</b>						
Segment total liabilities	507,186	269,388	253,641	38,348,375	2,198,172	41,576,762
	<b>Training and career development programs</b>	<b>English training</b>	<b>Learning solutions</b>	<b>Higher education</b>	<b>Others</b>	<b>Total</b>
	KD	KD	KD	KD	KD	KD
<b>2016</b>						
Segment revenues	1,322,385	921,101	642,430	51,618,580	-	54,504,496
Segment expenses	(1,393,692)	(797,785)	(613,804)	(23,474,076)	(1,264,261)	(27,543,618)
Depreciation and amortisation	(26,091)	(23,907)	(26,545)	(1,889,768)	(8,053)	(1,974,364)
Finance charges	-	-	-	(813,886)	(311,571)	(1,125,457)
Share of profit of associates	-	-	-	-	60,725	60,725
Other income	10,788	6,260	-	249,573	16,620	283,241
Profit/(loss) for the year	(86,610)	105,669	2,081	25,690,423	(1,506,540)	24,205,023
<b>Assets</b>						
Segment total assets	794,620	521,316	509,866	76,820,684	7,003,818	85,650,304
<b>Liabilities</b>						
Segment total liabilities	515,505	301,104	288,862	33,562,644	2,730,815	37,398,930



**24. SEGMENT INFORMATION (CONTINUED)**

Segment revenue above represents income generated from external customers. There was no inter-segment income during the year (2016: 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 54,264,914 (2016: KD 47,829,955) 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:

	<b>Inside Kuwait</b>	<b>Outside Kuwait</b>	<b>Total</b>
<b>2017</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Segment revenues	60,432,182	1,364,393	61,796,575
Segment expenses	(29,391,259)	(1,345,637)	(30,736,896)
Depreciation and amortisation	(2,437,803)	(25,997)	(2,463,800)
Finance charges	(1,287,581)	-	(1,287,581)
Share of profit of associates	-	43,150	43,150
Other income	727,941	24,462	752,403
Profit for the year	<u>28,043,480</u>	<u>60,371</u>	<u>28,103,851</u>
<b>Assets</b>			
Segment total assets	<u>96,955,274</u>	<u>1,490,467</u>	<u>98,445,741</u>
<b>Liabilities</b>			
Segment total liabilities	<u>41,057,553</u>	<u>519,209</u>	<u>41,576,762</u>
	<b>Inside Kuwait</b>	<b>Outside Kuwait</b>	<b>Total</b>
<b>2016</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Segment revenues	53,065,005	1,439,491	54,504,496
Segment expenses	(26,166,030)	(1,377,588)	(27,543,618)
Depreciation and amortisation	(1,941,309)	(33,055)	(1,974,364)
Finance charges	(1,125,457)	-	(1,125,457)
Share of profit of associates	-	60,725	60,725
Other income	276,374	6,867	283,241
Profit for the year	<u>24,108,583</u>	<u>96,440</u>	<u>24,205,023</u>
<b>Assets</b>			
Segment total assets	<u>84,142,729</u>	<u>1,507,575</u>	<u>85,650,304</u>
<b>Liabilities</b>			
Segment total liabilities	<u>36,856,196</u>	<u>542,734</u>	<u>37,398,930</u>

**25. COMMITMENTS AND CONTINGENT LIABILITIES**

	2017	2016
	KD	KD
<b>Commitments</b>		
Capital commitments for construction	5,213,714	3,194,883
Capital commitments for software upgradation	16,321	23,015
Operating lease commitments for total of 261,190 Sq. meter of land leased by American University of the Middle East and American College of the Middle East from Kuwait Government	1,681,812	1,052,000
Minimum operating lease commitments under the operating lease are as follows:		
Not later than one year	156,676	90,500
Later than one year but not later than five years	626,704	362,000
Later than five years	898,432	599,500
	1,681,812	1,052,000
<b>Contingent liabilities</b>		
Letters of guarantee	1,508,276	1,221,490

**26. FINANCIAL RISK MANAGEMENT**

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

	Loans and receivables	Available for sale
	KD	KD
<b>31 December 2017</b>		
Cash and bank balances	20,150,329	-
Trade and other receivables	18,717,127	-
<b>Total</b>	38,867,456	-
<b>31 December 2016</b>		
Cash and bank balances	20,011,076	-
Trade and other receivables	16,192,476	-
Investment available for sale	-	468
<b>Total</b>	36,203,552	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 :

## 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk factors (Continued)

#### 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.

##### (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 is not material.

##### (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 2017, 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 239,870 (2016 - KD 203,603).

#### 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, 93% (2016: 94%) of the total trade receivables is due from the Group's largest counterparty, a government entity (See notes 5 and 24).

##### 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:

	2017	2016
	KD	KD
Bank balances	20,130,006	20,002,266
Trade and other receivables	18,717,127	16,192,476
	<u>38,847,133</u>	<u>36,194,742</u>

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.

**26. FINANCIAL RISK MANAGEMENT (CONTINUED)****Financial risk factors (Continued)****(c) Liquidity risk (Continued)**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2017</b>	KD	KD	KD	KD
<b>Financial liabilities</b>				
Bank overdrafts	648,954	-	-	-
Trade and other payables	1,070,410	-	-	-
Accruals and other liabilities	6,399,339	-	-	-
Retentions payable	1,677,864	-	-	-
Long-term debts	6,696,000	7,835,651	9,459,378	-
	<u>16,492,567</u>	<u>7,835,651</u>	<u>9,459,378</u>	<u>-</u>
<b>Commitments</b>				
Capital commitments for construction	5,213,714	-	-	-
Capital commitments for software upgradation	16,321	-	-	-
Operating lease commitments for total of 261,190 Sq. meter of land leased by American University of the Middle East and American College of the Middle East from Kuwait Government	156,676	156,676	470,028	898,432
	<u>5,386,715</u>	<u>156,676</u>	<u>470,028</u>	<u>898,432</u>
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2016</b>	KD	KD	KD	KD
<b>Financial liabilities</b>				
Bank overdrafts	1,499,284	-	-	-
Short-term loan	2,000,000	-	-	-
Trade and other payables	1,419,479	-	-	-
Accruals and other liabilities	7,362,524	-	-	-
Retentions payable	1,094,119	-	-	-
Long-term debts	3,013,500	6,237,176	8,184,589	-
	<u>16,388,906</u>	<u>6,237,176</u>	<u>8,184,589</u>	<u>-</u>
<b>Commitments</b>				
Capital commitments for construction	3,194,883	-	-	-
Capital commitments for software upgradation	23,015	-	-	-
Operating lease commitments for total of 261,190 Sq. meter of land leased by American University of the Middle East and American College of the Middle East from Kuwait Government	90,500	90,500	271,500	599,500
	<u>3,217,898</u>	<u>90,500</u>	<u>271,500</u>	<u>599,500</u>

**Fair value of financial instruments**

The carrying amounts of financial assets and financial liabilities that are liquid or having a short term maturity approximate their fair value.

**27. 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 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:

	2017	2016
	KD	KD
Total Borrowings (i)	23,338,002	18,861,013
Less : Cash and cash equivalents	(19,456,996)	(18,325,222)
Net debt	3,881,006	535,791
Total Equity	56,868,979	48,251,374
Total Capital	60,749,985	48,787,165
Gearing ratio	6.39%	1.10%

(i) Total borrowings include short-term loan and long-term debts.

**28. DIVIDEND DISTRIBUTION***Dividend – 2016*

The Annual General Meeting of the shareholders held on 18 May 2017 approved the annual audited consolidated financial statements of the Group for the year ended 31 December 2016 and the payment of cash dividend of 160 fils per share to the shareholders (31 December 2015: 115 fils per share).

*Proposed dividend - 2017*

The Board of Directors, subject to the approval of shareholders, have recommended distribution of cash dividend of 160 fils per share (2016 - 160 fils per share) and bonus shares in the ratio of 70 shares for every 100 shares (70%) (2016 - Nil). The cash dividend and bonus shares, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

**29. 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.

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

**30. COMPARTIVE FIGURES**

Certain prior year amounts have been reclassified to conform to current year presentation with no effect on net profit or equity.