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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 SEPTEMBER 2018
(UNAUDITED)

INDEX

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF HUMANSOFT HOLDING COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Humansoft Holding Company K.S.C.P. ("the Parent Company") and subsidiaries (together referred to as "the Group") as at 30 September 2018 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the accompanying interim condensed consolidated financial information is in agreement with the accounting records of the Parent Company. We further report that to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended, or the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2018 that might have had a material effect on the business of the Group or on its financial position.

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HUMANSOFT HOLDING

Interim Condensed Consolidated Statement of Financial Position as at 30 September 2018 (Unaudited)

	Notes	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
ASSETS				
Current assets				
Cash and bank balances	3	26,391,725	20,150,329	20,914,368
Trade and other receivables	4	32,824,738	20,090,693	30,746,503
Inventories		72,793	52,677	69,870
		59,289,256	40,293,699	51,730,741
Non-current assets				
Property and equipment		54,150,942	50,123,521	46,912,489
Intangible assets		7,369,202	7,364,365	7,337,314
Investment in associates		686,580	664,156	614,738
		62,206,724	58,152,042	54,864,541
Total assets		121,495,980	98,445,741	106,595,282
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdrafts	3	531,867	648,954	733,559
Trade and other payables		1,323,108	1,070,410	1,217,033
Accruals and other liabilities		6,462,925	6,399,339	6,656,251
Deferred income	6	24,998,911	5,771,525	23,104,277
Retentions payable		1,378,366	1,677,864	1,689,525
Current portion of long-term debts	7	7,619,000	6,696,000	5,826,000
		42,314,177	22,264,092	39,226,645
Non-current liabilities				
Long-term debts	7	18,269,009	16,642,002	17,031,294
Provision for staff indemnity		3,096,671	2,670,668	2,556,918
		21,365,680	19,312,670	19,588,212
Total liabilities		63,679,857	41,576,762	58,814,857
Equity				
Share capital		12,223,680	12,223,680	12,223,680
Share premium		1,512,000	1,512,000	1,512,000
Statutory reserve		6,111,840	6,111,840	6,111,840
Voluntary reserve		6,111,840	6,111,840	6,111,840
Treasury shares	15	(288,877)	(288,877)	(288,877)
Treasury shares reserve		564,013	564,013	564,013
Retained earnings		31,480,282	30,542,681	21,478,303
Foreign currency translation reserve		101,345	91,802	67,626
Total equity		57,816,123	56,868,979	47,780,425
Total liabilities and equity		121,495,980	98,445,741	106,595,282

Mr. Tareq Fahad Al Othman
Chairman

The accompanying notes form an integral part of this interim condensed consolidated financial information.

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

Interim Condensed Consolidated Statement of Profit or Loss
– period from 1 January 2018 to 30 September 2018 (Unaudited)

		Three months ended		Nine months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
	Notes	KD	KD	KD	KD
Revenues		16,017,117	13,670,923	49,938,899	43,829,530
Cost of operations	8	(3,167,540)	(2,870,619)	(11,194,642)	(10,038,120)
Gross profit		12,849,577	10,800,304	38,744,257	33,791,410
General and administrative expenses	9	(3,784,660)	(3,579,242)	(11,609,166)	(10,106,796)
Selling expenses	10	(510,077)	(765,443)	(2,633,349)	(2,712,932)
Finance charges		(384,420)	(333,571)	(1,144,308)	(965,704)
Share of profit of associates		16,562	3,960	17,722	17,636
Other income		53,947	28,496	171,836	156,374
Profit before contribution to Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		8,240,929	6,154,504	23,546,992	20,179,988
Contribution to KFAS	11	(83,531)	(62,949)	(241,186)	(209,460)
NLST		(212,980)	(159,700)	(604,773)	(517,376)
Zakat		(86,192)	(64,865)	(247,413)	(213,679)
Directors' remuneration		-	-	(200,000)	(200,000)
Profit for the period		7,858,226	5,866,990	22,253,620	19,039,473
Basic and diluted earnings per share (fils)	12	65	48	183	157

The accompanying notes form an integral part of this interim condensed consolidated financial information.

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD	KD	KD	KD
Profit for the period	7,858,226	5,866,990	22,253,620	19,039,473
Other comprehensive income				
Items that may be reclassified subsequently to consolidated statement of profit or loss:				
Foreign currency translation adjustments	4,559	(13,548)	9,543	(45,726)
Other comprehensive income /(loss) for the period	4,559	(13,548)	9,543	(45,726)
Total comprehensive income for the period	7,862,785	5,853,442	22,263,163	18,993,747

The accompanying notes form an integral part of this interim condensed consolidated financial information.

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

Interim Condensed Consolidated Statement of Changes in Equity - period from 1 January 2018 to 30 September 2018 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Retained earnings	Foreign currency translation reserve	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2018	12,223,680	1,512,000	6,111,840	6,111,840	(288,877)	564,013	30,542,681	91,802	56,868,979
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 4)	-	-	-	-	-	-	(26,507)	-	(26,507)
Balance as at 1 January 2018 (restated)	12,223,680	1,512,000	6,111,840	6,111,840	(288,877)	564,013	30,516,174	91,802	56,842,472
Total comprehensive income for the period	-	-	-	-	-	-	22,253,620	9,543	22,263,163
Dividend (Note 16)	-	-	-	-	-	-	(21,289,512)	-	(21,289,512)
Balance as at 30 September 2018	12,223,680	1,512,000	6,111,840	6,111,840	(288,877)	564,013	31,480,282	101,345	57,816,123
Balance as at 1 January 2017	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 period	-	-	-	-	-	-	19,039,473	(45,726)	18,993,747
Dividend (Note 16)	-	-	-	-	-	-	(19,464,696)	-	(19,464,696)
Balance as at 30 September 2017	12,223,680	1,512,000	6,111,840	6,111,840	(288,877)	564,013	21,478,303	67,626	47,780,425

The accompanying notes form an integral part of this interim condensed consolidated financial information.

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

Interim Condensed Consolidated Statement of Cash Flows
- period from 1 January 2018 to 30 September 2018 (Unaudited)

	Notes	Nine months ended 30 September 2018 KD	Nine months ended 30 September 2017 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		23,546,992	20,179,988
Adjustments for:			
Depreciation and amortisation	9	2,510,328	1,763,537
Provision for staff indemnity		592,103	669,800
Allowance for doubtful debts		192,354	36,857
Gain on disposal of property and equipment		(2,497)	(111)
Gain on disposal of investments available for sale		-	(67,616)
Finance charges		1,144,308	965,704
Share of profit of associates		(17,722)	(17,636)
Interest income		(29,144)	-
Operating profit before working capital changes		27,936,722	23,530,523
Increase in trade and other receivables		(12,953,124)	(12,932,381)
Increase in inventories		(20,116)	(2,458)
Increase / (decrease) in trade and other payables		252,698	(202,446)
Increase / (decrease) in accruals and other liabilities		205,324	(599,383)
Increase in deferred income		19,227,386	18,022,566
(Decrease) / increase in retentions payable		(299,498)	595,406
		34,349,392	28,411,827
Payment of staff indemnity		(167,055)	(191,608)
Payment of KFAS		(304,688)	(262,002)
Payment of NLST		(758,988)	(654,499)
Payment of Zakat		(310,449)	(267,733)
Payment of Directors' remuneration		(200,000)	(200,000)
Net cash from operating activities		32,608,212	26,835,985
INVESTING ACTIVITIES			
Purchase of property and equipment		(6,497,286)	(8,878,269)
Payments for intangible assets		(44,796)	(48,137)
Proceeds from disposal of property and equipment		3,562	111
Proceeds from disposal of investments available for sale		-	68,084
Interest income received		29,144	-
(Increase) / decrease in margin deposits		(11,629)	141,092
Net cash used in investing activities		(6,521,005)	(8,717,119)
FINANCING ACTIVITIES			
Finance charges paid		(1,132,366)	(937,667)
Decrease in short-term loan		-	(2,000,000)
Proceeds from banks		7,354,507	7,553,281
Repayment to banks		(4,804,500)	(1,557,000)
Dividend paid		(21,162,439)	(19,355,903)
Net cash used in financing activities		(19,744,798)	(16,297,289)
Net increase in cash and cash equivalents		6,342,409	1,821,577
Effects of exchange rate changes on cash and cash equivalents		4,445	(11,468)
Cash and cash equivalents at beginning of the period		19,456,996	18,325,222
Cash and cash equivalents at end of the period	3	25,803,850	20,135,331

The accompanying notes form an integral part of this interim condensed consolidated financial information.

1. INCORPORATION AND PRINCIPAL 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 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 to companies, in which it owns shares and guaranteeing them with third parties. In this case, the Parent company's share in the capital of the borrowing company should not be less than 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 Parent company through investing in portfolios managed by specialized companies.

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

This interim condensed consolidated financial information for the Nine-month period ended 30 September 2018 was authorised for issue by the Board of Directors of the Parent Company on 13 November 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, *"Interim Financial Reporting"*. Accordingly, it does not include all of the information and footnotes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements of the Group for the year ended 31 December 2017 except for the adoption of IFRS 9: Financial Instruments ("IFRS 9") and IFRS 15: Revenue from Contracts with Customers ("IFRS 15") from 1 January 2018. The change in the accounting policies arising from the adoption of these standards are explained below.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2018. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2017.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

2.1.1 Adoption of IFRS 9: Financial Instruments

The Group has adopted IFRS 9 issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summariesd below:

Classification and measurement of financial assets and financial liabilities

The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment & Solely Payments of Principal and Interest test ("SPPI test")

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows met the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets

The Group classifies financial assets upon initial recognition of IFRS 9 into following categories

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair Value Through Profit and Loss (FVTPL)

All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as at fair value through profit or loss. Transaction costs on financial assets classified as at fair value through profit or loss are recognised in the consolidated statement of profit or loss.

Amortised cost (AC)

The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

Fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI if it meets both of the following conditions:-

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Fair Value Through Profit and Loss (FVTPL)

Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as FVTPL.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of profit or loss. Interest income and dividends are recognised in the consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

Financial liabilities

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an Group's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. Accordingly, the Group applies the new impairment model for its financial assets. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

Hedge Accouniting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

   - The determination of the business model within which a financial asset is held;
   - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;
   - The designation of certain investments in equity instruments not held for trading as at FVOCI.
   - If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

2.1.2 Adoption of IFRS 15: Revenue from Contract from Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It established a new five-step model that will apply to revenue arising from contracts with customers as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers. Further, adoption of IFRS 15 had no impact on this interim condensed consolidated financial information of the Group.

2.2 Judgments and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017.

3. CASH AND BANK BALANCES

	30 September 2018	(Audited) 31 December 2017	30 September 2017
	KD	KD	KD
Cash on hand and at banks	21,391,725	20,150,329	20,914,368
Short-term deposits with banks	5,000,000	-	-
Cash and bank balances	26,391,725	20,150,329	20,914,368
Less: Bank overdrafts	(531,867)	(648,954)	(733,559)
Less: Margin deposits with banks whose original maturity period exceeds three months from the date of acquisition, included above	(56,008)	(44,379)	(45,478)
Cash and cash equivalents in the statement of cash flows	25,803,850	19,456,996	20,135,331

Overdraft facilities from local banks are denominated in KD and as at 30 September 2018 bear interest ranging from 2% - 2.5% (31 December 2017: 2% - 2.5% and 30 September 2017: 2% - 2.5%) per annum over the Central Bank of Kuwait discount rate.

As at 30 September 2018, the undrawn bank overdraft facilities amounted to KD 2,218,133 (31 December 2017: KD 2,101,046 and 30 September 2017: KD 2,016,441).

The short-term deposits with banks are denominated in KD and are placed with local banks and carry an effective interest rate of 2.875% (31 December 2017: nil and 30 September 2017: nil) per annum.

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

4. TRADE AND OTHER RECEIVABLES

	30 September 2018	(Audited) 31 December 2017	30 September 2017
	KD	KD	KD
Trade receivables	31,970,107	19,079,111	29,308,164
Less: Allowance for doubtful debts	(765,455)	(519,869)	(465,781)
	31,204,652	18,559,242	28,842,383
Prepaid expenses	973,067	874,157	712,549
Advance to suppliers	477,211	499,409	787,379
Staff receivables	81,553	61,443	312,859
Refundable deposits	88,255	96,442	91,333
	32,824,738	20,090,693	30,746,503

On adoption of IFRS 9 at 1 January 2018, the Group estimated its ECL under IFRS 9 and recognised additional impairment of KD 26,507 on its trade receivables. The charge for this amount is adjusted in the opening retained earnings.

5. RELATED PARTY TRANSACTIONS

Related parties comprise of 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. Pricing policies and terms are approved by the Group's management.

The related party transactions and balances included in this interim condensed consolidated financial information are as follows:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD	KD	KD	KD
Compensation of key management personnel				
Short-term benefits	105,213	103,187	370,082	400,788
Post-employment benefits	9,042	88,543	26,852	103,907
	114,255	191,730	396,934	504,695

6. DEFERRED INCOME

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

7. LONG-TERM DEBTS

	30 September 2018	(Audited) 31 December 2017	30 September 2017
	KD	KD	KD
Current portion	7,619,000	6,696,000	5,826,000
Non-current portion	18,269,009	16,642,002	17,031,294
	25,888,009	23,338,002	22,857,294

These debts are secured by mortgage of land with a carrying value of KD 5,297,030 (31 December 2017: KD 5,297,030 and 30 September 2017: KD 5,297,030) and included in property and equipment. These debts bear interest ranging from 2.5% - 3.5% per annum over the CBK discount rate.

As at 30 September 2018, the undrawn long-term debts amounted to KD 5,455,991 (31 December 2017: KD 12,810,498 and 30 September 2017: KD 14,747,706).

8. COST OF OPERATIONS

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD	KD	KD	KD
Staff salaries and related costs	3,005,046	2,718,296	10,790,218	9,571,470
Facilities costs	78,844	75,374	210,964	266,275
Material costs	81,458	73,764	188,151	190,403
Others	2,192	3,185	5,309	9,972
	3,167,540	2,870,619	11,194,642	10,038,120

9. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD	KD	KD	KD
Staff salaries and related costs	1,341,576	1,444,761	4,377,671	3,811,408
Facilities costs	518,082	623,527	1,622,363	1,974,278
Depreciation and amortisation	890,561	629,504	2,510,328	1,763,537
Other administrative expenses	1,034,441	881,450	3,098,804	2,557,573
	3,784,660	3,579,242	11,609,166	10,106,796

10. SELLING EXPENSES

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD	KD	KD	KD
Staff salaries and related costs	76,592	87,226	236,366	256,977
Advertising and sales promotion	241,697	665,437	2,025,458	2,281,999
Allowance / (recovery) for doubtful debts	160,664	(23,444)	218,861	36,857
Others	31,124	36,224	152,664	137,099
	510,077	765,443	2,633,349	2,712,932

11. CONTRIBUTION TO KFAS

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

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD	KD	KD	KD
Al Arabia Education Enterprises Company K.S.C. (Closed)	83,531	62,949	241,186	209,460

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated as follows:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD	KD	KD	KD
Profit for the period	7,858,226	5,866,990	22,253,620	19,039,473
Number of shares outstanding:	Shares			
Weighted average number of paid up shares	122,236,800	122,236,800	122,236,800	122,236,800
Less: Weighted average number of treasury shares outstanding	(582,448)	(582,448)	(582,448)	(582,448)
Weighted average number of outstanding shares	121,654,352	121,654,352	121,654,352	121,654,352
Basic and diluted earnings per share (fils)	65	48	183	157

13. 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 segregates the Group's activities into the following business segments:

a) Training and Career Development Programs

b) English Training

c) Learning Solutions

d) Higher Education

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

Segment information by business segments is as follows:

	Training and career development programs	English training	Learning solutions	Higher education	Others	Total
	KD	KD	KD	KD	KD	KD
Nine months ended 30 September 2018						
Segment revenues	894,190	662,660	492,015	47,890,034	-	49,938,899
Segment expenses	(900,983)	(586,411)	(461,832)	(20,964,604)	(1,306,371)	(24,220,201)
Depreciation and amortisation	(12,052)	(14,075)	(34,197)	(2,442,087)	(7,917)	(2,510,328)
Finance charges	-	-	-	(993,531)	(150,777)	(1,144,308)
Share of profit of associates	-	-	-	-	17,722	17,722
Other income	7,688	6,157	6,872	141,922	9,197	171,836
Profit / (loss) for the period	(11,157)	68,331	2,858	23,631,734	(1,438,146)	22,253,620
Assets						
Segment total assets	886,731	478,335	676,562	111,098,063	8,356,289	121,495,980
Liabilities						
Segment total liabilities	520,627	318,531	318,034	60,459,614	2,063,051	63,679,857

	Training and career development programs	English training	Learning solutions	Higher education	Others	Total
	KD	KD	KD	KD	KD	KD
Nine months ended 30 September 2017						
Segment revenues	839,189	655,113	607,874	41,727,354	-	43,829,530
Segment expenses	(909,914)	(587,237)	(521,471)	(18,853,296)	(1,362,908)	(22,234,826)
Depreciation and amortisation	(15,744)	(15,090)	(30,447)	(1,693,429)	(8,827)	(1,763,537)
Finance charges	-	-	-	(775,931)	(189,773)	(965,704)
Share of profit of associates	-	-	-	-	17,636	17,636
Other income	1,395	4,268	2,291	80,504	67,916	156,374
Profit / (loss) for the period	(85,074)	57,054	58,247	20,485,202	(1,475,956)	19,039,473
Assets						
Segment total assets	720,258	476,972	577,630	97,105,722	7,714,700	106,595,282
Liabilities						
Segment total liabilities	527,601	308,250	323,155	55,591,467	2,064,384	58,814,857

14. COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2018	(Audited) 31 December 2017	30 September 2017
Commitments	KD		KD
Capital commitments for construction	1,549,033	5,213,714	7,429,900
Capital commitments for software upgradation	16,321	16,321	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	1,525,136	1,681,812	1,681,812
Minimum operating lease commitments under the operating lease are as follows:			
Not later than one year	156,676	156,676	156,676
Later than one year but not later than five years	626,704	626,704	626,704
Later than five years	741,756	898,432	898,432
	1,525,136	1,681,812	1,681,812
Contingent liabilities			
Letters of guarantee	1,514,728	1,508,276	1,506,905

15. TREASURY SHARES

	30 September 2018	(Audited) 31 December 2017	30 September 2017
Number of shares	582,448	582,448	582,448
Percentage of issued shares	0.48%	0.48%	0.48%
Market value (KD)	1,863,834	2,177,773	2,294,845

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.

16. DIVIDEND DISTRIBUTION

The Shareholders' annual general assembly held on 23 April 2018 approved the audited consolidated financial statements of the Group for the year ended 31 December 2017 and the payment of cash dividend of 175 fils per share (31 December 2016: 160 fils per share). The cash dividend was subsequently paid after obtaining the necessary regulatory approvals.

17. COMPARATIVE FIGURES

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