Humansoft Holding Company K.S.C.P. and Subsidiaries

HUMANSOFT
HOLDING

Consolidated Financial Statements and Independent Auditors' Report

31 December 2019

INDEX

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HUMANSOFT HOLDING COMPANY K.S.C.P.

Report on the Audit of the 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 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2019, 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 9 of the consolidated financial statements, the Group has goodwill and other intangible assets of KD 7,281,989 (2018: KD 7,335,593) which are 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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HUMANSOFT HOLDING COMPANY K.S.C.P. (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 9 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 2.12 and 2.13 of the consolidated financial statements.

Other information included in the Parent Company's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 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 the 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HUMANSOFT HOLDING COMPANY K.S.C.P. (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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HUMANSOFT HOLDING COMPANY K.S.C.P. (Continued)

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 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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Kuwait
04 February 2020

HUMANSOFT HOLDING

Consolidated Statement of Financial Position as at 31 December 2019

	Notes	Kuwaiti Dinars 2019	2018
ASSETS			
Current assets			
Cash and bank balances	4	35,355,264	26,602,059
Trade and other receivables	5	22,425,454	20,994,756
Inventories		48,024	52,043
		57,828,742	47,648,858
Non-current assets			
Right-of-use assets	7	1,049,789	-
Property and equipment	8	51,556,641	54,222,104
Intangible assets	9	7,281,989	7,335,593
Investment in associates	10	626,073	707,439
		60,514,492	62,265,136
Total assets		118,343,234	109,913,994
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		748,898	1,025,981
Accruals and other liabilities	11	6,494,450	6,402,888
Lease liabilities	12	156,676	-
Deferred income	13	6,443,789	6,244,841
Retentions payable		466,557	966,509
Current portion of long-term debts	14	7,890,000	7,700,000
		22,200,370	22,340,219
Non-current liabilities			
Lease liabilities	12	881,966	-
Long-term debts	14	10,879,265	17,208,526
Provision for staff indemnity		3,972,194	3,318,334
		15,733,425	20,526,860
Total liabilities		37,933,795	42,867,079
Equity			
Share capital	15	12,223,680	12,223,680
Share premium		1,512,000	1,512,000
Statutory reserve	16	9,894,240	6,112,840
Voluntary reserve	17	6,112,840	6,112,840
Treasury shares	18	(288,877)	(288,877)
Treasury shares reserve	18	564,013	564,013
Retained earnings		50,299,035	40,713,526
Foreign currency translation reserve		92,508	96,893
Total equity		80,409,439	67,046,915
Total liabilities and equity		118,343,234	109,913,994

Ms. Dalal Hasan Al-Sabti
Chairperson

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss - year ended 31 December 2019

	Notes	Kuwaiti Dinars 2019	Kuwaiti Dinars 2018
Revenue		73,294,166	69,250,695
Cost of operations	19	(16,575,784)	(15,717,901)
Gross profit		56,718,382	53,532,794
General and administrative expenses	20	(15,032,484)	(15,732,869)
Selling expenses	21	(2,947,526)	(3,382,070)
Finance charges		(1,290,396)	(1,513,401)
Share of profit of associates	10	30,804	44,014
Other income		335,218	272,452
Profit before contribution to Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		37,813,998	33,220,920
Contribution to KFAS	22	(383,608)	(330,199)
NLST	23	(965,576)	(854,510)
Zakat	24	(391,850)	(347,347)
Directors' remuneration		(200,000)	(200,000)
Profit for the year		35,872,964	31,488,864
Basic and diluted earnings per share (fils)	25	295	259

The accompanying notes form an integral part of these consolidated financial statements.

	Kuwaiti Dinars	
	2019	**2018**
Profit for the year	35,872,964	31,488,864
Other comprehensive income		
Items that may be reclassified subsequently to consolidated statement of profit or loss:		
Foreign currency translation adjustments	(4,385)	5,091
Other comprehensive income for the year	(4,385)	5,091
Total comprehensive income for the year	35,868,579	31,493,955

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity - year ended 31 December 2019

	Kuwaiti Dinars								
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Retained earnings	Foreign currency translation reserve	Total
Balance as at 31 December 2017	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	-	-	-	-	-	-	(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 year	-	-	-	-	-	-	31,488,864	5,091	31,493,955
Transfer to reserves	-	-	1,000	1,000	-	-	(2,000)	-	-
Dividend 2017 (Note 30)	-	-	-	-	-	-	(21,289,512)	-	(21,289,512)
Balance as at 31 December 2018	12,223,680	1,512,000	6,112,840	6,112,840	(288,877)	564,013	40,713,526	96,893	67,046,915
Total comprehensive income for the year	-	-	-	-	-	-	35,872,964	(4,385)	35,868,579
Transfer to reserves	-	-	3,781,400	-	-	-	(3,781,400)	-	-
Dividend 2018 (Note 30)	-	-	-	-	-	-	(22,506,055)	-	(22,506,055)
Balance as at 31 December 2019	12,223,680	1,512,000	9,894,240	6,112,840	(288,877)	564,013	50,299,035	92,508	80,409,439

The accompanying notes form an integral part of these consolidated financial statements.

	Notes	Kuwaiti Dinars 2019	2018
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		37,813,998	33,220,920
Adjustments for :			
Depreciation and amortisation	8 & 9	3,871,345	3,550,019
Depreciation of right-of-use assets	7	114,821	-
Provision for staff indemnity		951,829	859,995
Expected credit loss on financial assets	5	154,834	312,851
Gain on disposal of property and equipment	8	458	(2,496)
Property and equipment and goodwill written off	8 & 10	112,408	-
Finance charges		1,290,396	1,513,401
Share of profit of associates	10	(30,804)	(44,014)
Interest income		(192,773)	(65,377)
Operating profit before working capital changes		44,086,512	39,345,299
Trade and other receivables		(1,624,639)	(1,243,614)
Inventories		4,019	634
Trade and other payables		(277,083)	(44,429)
Accruals and other liabilities		(157,079)	(244,991)
Deferred income		198,948	473,316
Retentions payable		(499,952)	(711,355)
		41,730,726	37,574,860
Payment of staff indemnity		(297,635)	(213,366)
Payment of KFAS		(330,199)	(304,688)
Payment of NLST		(854,510)	(758,988)
Payment of Zakat		(347,347)	(310,449)
Directors' remuneration paid		(200,000)	(200,000)
Net cash generated from operating activities		39,701,035	35,787,369
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(1,082,469)	(7,542,701)
Payments for intangible assets	9	(72,781)	(76,340)
Proceeds from disposal of property and equipment		349	3,562
Margin deposits		(21,197)	(5,732)
Investment in term deposits		(5,000,000)	(5,000,000)
Interest income received		192,773	65,377
Net cash used in investing activities		(5,983,325)	(12,555,834)
FINANCING ACTIVITIES			
Proceeds from bank		1,560,739	8,266,524
Repayment to bank		(7,700,000)	(6,696,000)
Finance charges paid		(1,324,023)	(1,502,486)
Repayment of lease liabilities	12	(156,676)	-
Dividend paid		(22,362,888)	(21,209,818)
Net cash used in financing activities		(29,982,848)	(21,141,780)
Net increase in cash and cash equivalents		3,734,862	2,089,755
Effects of exchange rate changes on cash and cash equivalents		(2,854)	5,197
Cash and cash equivalents at beginning of the year		21,551,948	19,456,996
Cash and cash equivalents at end of the year	4	25,283,956	21,551,948

The accompanying notes 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 04 February 2020 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 have been presented in Kuwaiti Dinars ("KD").

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

2.2.1 New standards and amendments effective from 1 January 2019

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the adoption of IFRS 16 Leases effective from 1 January 2019.

Adoption of IFRS 16 'Leases'

The Group has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset representing right to use the underlying asset and a lease liability to make the lease payments at the lease commencement date.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of profit or loss.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment.

Lease Liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

Policy applicable before 1 January 2019

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.

Transition to IFRS 16

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the retained earnings as at 1 January 2019.

The carrying value of right of use assets and lease liabilities as at 31 December 2019 amounted to KD 1,049,789 and KD 1,038,642 respectively.

2.2.2 Standards and revisions issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

The amendments are applied prospectively on or after 1 January 2020, with early application permitted.

2.3 Financial instruments: Recognition/ Derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

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 or 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.

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 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.

2.4 Classification and measurement of financial assets and financial liabilities

Classification of financial assets

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

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.

Contractual cash flows assessment

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 Solely Payments of Principal and Interest ("SPPI").

'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.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

2.4.1 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; 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.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("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 are 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.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

2.4.2 Financial liabilities

Financial liabilities are mainly classified as "Financial liabilities other than at fair value through profit or loss". This comprises of loan from a related party, retentions payable, trade payables and accruals and other liabilities.

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

2.5 Impairment of financial assets

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

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportive information available, in order to compare the risk of a default occurring at the reporting date with a risk of a default occurring at initial recognition of the financial instrument.

Stage 3: Lifetime ECL – credit impaired.

A financial asset is considered as credit impaired when there is objective evidence that the amount due under the financial asset is uncollectible. The Group considers a financial asset as credit impaired if the amount due under the financial instrument is overdue by more than 90 days, or if it is known that the counter party has any known difficulties in payment. The Group measures loss allowances at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure, the value of any collaterals.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

ECL is 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 applies 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.

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

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 Property and equipment

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

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

	Years
Building and leasehold land improvements	20
Computers and peripherals	2-3
Furniture, fixtures and decorations	3-5
Equipment	3-5
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).

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.

2.12 Intangible assets and goodwill

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

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

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

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

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

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

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

2.13 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.

2.14 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.

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.

2.15 Revenue recognition

Revenue is recognised on a time proportion basis as and when the performance obligations are satisfied. 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.

2.16 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.

2.17 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.

2.18 Provisions for liabilities

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

2.19 Contingencies

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

2.20 Segment reporting

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

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

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

3. Subsidiaries

The principal subsidiaries of the Parent Company are:

Subsidiary	Country of incorporation	Direct ownership %		Indirect ownership %		Principal activity
		2019	2018	2019	2018	
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 and selling and purchasing of shares and bonds for company interest only
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	Opening private training institutes and selling and purchasing of shares and bonds for company interest only
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	0.50	99.50	99.50	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

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

4. Cash and cash equivalents

	Kuwaiti Dinars	
	2019	2018
Cash on hand	38,532	53,884
Balances with banks	19,316,732	21,548,175
Term deposits with bank	16,000,000	5,000,000
Cash and bank balances	35,355,264	26,602,059
Less: Margin deposits with banks whose original maturity period exceeds three months from the date of acquisition, included above	(71,308)	(50,111)
Less: Term deposits with bank whose original maturity period exceeds three months from the date of acquisition, included above	(10,000,000)	(5,000,000)
Cash and cash equivalents in the consolidated statement of cash flows	25,283,956	21,551,948

Term deposits are denominated in Kuwaiti Dinars and are placed with a local bank carrying an effective rate of interest of 3.6% (2018: 2.875%) per annum.

As at the consolidated statement of financial position date, the undrawn bank overdraft facilities amounted to KD 2,750,000 (2018: KD 2,750,000).

Margin 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:

	Kuwaiti Dinars	
	2019	2018
KD	34,260,685	25,672,575
UAE Dirham	923,903	850,334
Other currencies	170,676	79,150
	35,355,264	26,602,059

5. Trade and other receivables

	Kuwaiti Dinars	
	2019	2018
Trade receivables	21,653,867	20,513,693
Less: Provision for ECL	(582,927)	(859,420)
	21,070,940	19,654,273
Prepaid expenses	1,072,728	911,373
Advance to suppliers	175,832	312,634
Staff receivables	11,561	25,051
Refundable deposits	94,393	91,425
	22,425,454	20,994,756

	31 December 2019			31 December 2018		
Ageing buckets	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	KD	%	KD	KD	%	KD
< 30 days	288,116	0.63%	1,823	188,556	0.88%	1,651
31 - 60 days	114,070	0.65%	738	75,351	0.68%	511
61 - 90 days	34,022	0.81%	276	54,258	46.86%	25,424
> 90 days	21,217,659	2.73%	580,090	20,195,528	4.12%	831,834
	21,653,867		582,927	20,513,693		859,420

Trade receivables which are due for more than 90 days include an amount of KD 19,666,384 (2018: KD 18,385,685) receivable from a Government Institution in Kuwait. The Group does not hold any collateral over these balances. This includes KD 19,648,018 (2018: 18,378,651) which has been recovered subsequent to the date of the consolidated financial statements.

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 trade receivables which are overdue.

The Group always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 90 days past due (except for receivables which are sovereign backed) because historical experience has indicated that these receivables are generally not recoverable.

For risk profiling purpose, the Group has segregated its trade and other receivables portfolio into three subgroups namely: 'receivables from Government related entities', 'receivables from corporates' and 'receivables from individuals'.

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

Movement of the Group's provision for ECL on trade receivables is as follows:

	Kuwaiti Dinars			
	2019			
	Receivables from Government related entities	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	12,990	31,382	815,048	859,420
ECL charge for the year	15,116	14,307	158,799	188,222
Recovered during the year	(15,214)	(18,009)	(165)	(33,388)
Written off during the year	-	-	(431,265)	(431,265)
Foreign currency translation effect	(22)	(40)	-	(62)
Balance at the end of the year	12,870	27,640	542,417	582,927

	Kuwaiti Dinars			
	2018			
	Receivables from Government related entities	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	6,190	23,064	490,615	519,869
IFRS 9 transition impact	508	2,475	23,524	26,507
ECL charge for the year	13,536	19,981	300,908	334,425
Recovery of bad debts	(7,303)	(14,271)	-	(21,574)
Foreign currency translation effect	59	133	1	193
Balance at the end of the year	12,990	31,382	815,048	859,420

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

	Kuwaiti Dinars	
	2019	2018
KD	21,932,982	20,653,123
UAE Dirham	335,265	203,962
Other currencies	157,207	137,671
	22,425,454	20,994,756

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:

	Kuwaiti Dinars	
	2019	**2018**
Compensation of key management personnel		
Short-term benefits	554,474	566,384
Post-employment benefits	48,665	56,818
	603,139	623,202

7. Right-of-use assets

Group as a Lessee

	Kuwaiti Dinars
	2019
1 January 2019	1,164,610
Depreciation expense	(114,821)
31 December 2019	1,049,789

8. Property and Equipment

	Kuwaiti Dinars							
	Freehold land	Building and leasehold land improvements	Computers and peripherals	Furniture, fixtures and decoration	Equipment	Library Books	Capital work in progress ("CWIP")	Total
Cost								
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
Additions	-	11,628	182,625	239,496	681,333	-	6,427,619	7,542,701
Transfers from CWIP	-	14,355,003	-	216,384	109,255	-	(14,680,642)	-
Disposals	-	-	(1,254)	(427,542)	(330)	-	-	(429,126)
Exchange adjustments	-	4	1,167	1,274	452	-	-	2,897
Balance as at 31 December 2018	5,297,030	49,246,340	1,953,152	2,231,657	3,113,486	89,292	7,504,560	69,435,517
Additions	-	139,043	71,708	76,391	280,995	-	514,332	1,082,469
Transfers from CWIP	-	6,066,423	-	-	2,400	-	(6,068,823)	-
Disposals/write off	-	-	(1,318)	(9,520)	(445)	-	-	(11,283)
Exchange adjustments	-	-	(352)	(419)	(108)	-	1	(878)
Balance as at 31 December 2019	5,297,030	55,451,806	2,023,190	2,298,109	3,396,328	89,292	1,950,070	70,505,825
Accumulated depreciation								
Balance as at 31 December 2017	-	8,161,343	1,521,081	1,324,268	1,121,349	67,483	-	12,195,524
Charge for the year	-	2,144,783	182,616	493,202	614,651	8,018	-	3,443,270
Disposals	-	-	(470)	(427,590)	-	-	-	(428,060)
Exchange adjustments	-	1	1,138	1,108	432	-	-	2,679
Balance as at 31 December 2018	-	10,306,127	1,704,365	1,390,988	1,736,432	75,501	-	15,213,413
Charge for the year	-	2,491,822	144,780	455,529	645,668	7,681	-	3,745,480
Disposals/write off	-	-	(346)	(8,552)	-	-	-	(8,898)
Exchange adjustments	-	-	(350)	(333)	(125)	(3)	-	(811)
Balance as at 31 December 2019	-	12,797,949	1,848,449	1,837,632	2,381,975	83,179	-	18,949,184
Carrying amount								
As at 31 December 2019	5,297,030	42,653,857	174,741	460,477	1,014,353	6,113	1,950,070	51,556,641
As at 31 December 2018	5,297,030	38,940,213	248,787	840,669	1,377,054	13,791	7,504,560	54,222,104

The freehold land is under registered mortgage to secure the long-term debt amounting to KD 18,769,265 (2018: KD 24,908,526) (See note 14).

9. Intangible assets

	Kuwaiti Dinars						
	Goodwill	University & college licenses	Computer diploma programs, software, systems and curricula	Franchise	Trade mark, key money, and brand	Capital work in progress ("CWIP")	Total
Cost							
Balance as at 31 December 2017	1,818,014	6,752,000	1,079,205	140,375	88,956	170,938	10,049,488
Additions	-	-	49,276	-	6,800	20,264	76,340
Transfers from CWIP	-	-	142,764	-	355	(143,119)	-
Exchange adjustments	1,651	-	(10)	(8)	449	5	2,087
Balance as at 31 December 2018	1,819,665	6,752,000	1,271,235	140,367	96,560	48,088	10,127,915
Additions	-	-	15,628	4,549	28,698	23,906	72,781
Transfers from CWIP	-	-	13,139	-	702	(13,841)	-
Exchange adjustments	(517)	-	(7)	19	(1,403)	(14)	(1,922)
Balance as at 31 December 2019	1,819,148	6,752,000	1,299,995	144,935	124,557	58,139	10,198,774
Accumulated amortisation and impairment losses							
Balance as at 31 December 2017	1,552,500	-	911,627	140,374	80,622	-	2,685,123
Charge for the year	-	-	102,649	-	4,100	-	106,749
Exchange adjustments	-	-	8	(8)	450	-	450
Balance as at 31 December 2018	1,552,500	-	1,014,284	140,366	85,172	-	2,792,322
Charge for the year	-	-	117,090	141	8,634	-	125,865
Exchange adjustments	-	-	(6)	16	(1,412)	-	(1,402)
Balance as at 31 December 2019	1,552,500	-	1,131,368	140,523	92,394	-	2,916,785
Carrying amount							
As at 31 December 2019	266,648	6,752,000	168,627	4,412	32,163	58,139	7,281,989
As at 31 December 2018	267,165	6,752,000	256,951	1	11,388	48,088	7,335,593

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.

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:

	2019	**2018**
Discount Rate	10% - 12%	8% - 9%
Growth Rate	2% - 5%	3% - 5%

10. Investment in associates

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

Name of associate	**Place of incorporation and operation**	**Proportion of ownership interest 2019**	**Proportion of ownership interest 2018**	**Principal activity**
New Horizons Computer Training Company W.L.L.	Qatar	40%	40%	Training and Career Development Programs
Al Arabia Training Company W.L.L.	Qatar	40%	40%	English Training

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

	Kuwaiti Dinars	
	2019	2018
Current assets	770,250	759,812
Non-current assets	34,100	39,168
Total assets	804,350	798,980
Current liabilities	87,972	133,584
Non-current liabilities	58,756	52,602
Total liabilities	146,728	186,186
Net assets	657,622	612,794
Group's share of net assets	263,049	245,118
Goodwill from acquisition of investment in associate	110,831	110,831
Less: Goodwill written off	(110,831)	-
Total carrying value in Group's consolidated financial statements	263,049	355,949
Total revenue	562,054	594,745
Profit and comprehensive income for the year	46,220	38,823
Group's share of results	18,488	15,529

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

	Kuwaiti Dinars	
	2019	2018
Current assets	959,017	946,627
Non-current assets	3,808	5,075
Total assets	962,825	951,702
Current liabilities	47,610	63,509
Non-current liabilities	7,654	9,468
Total liabilities	55,264	72,977
Net assets	907,561	878,725
Group's share of net assets	363,024	351,490
Total revenue	375,733	470,824
Profit and comprehensive income for the year	30,789	71,212
Group's share of results	12,316	28,485

11. Accruals and other liabilities

	Kuwaiti Dinars	
	2019	2018
Staff payables	2,428,830	2,540,320
Accrued expenses	1,548,833	1,696,671
Advance from customers / students	197,812	213,075
Others	2,318,975	1,952,822
	6,494,450	6,402,888

12. Lease liabilities

	Kuwaiti Dinars
	2019
Balance as at 1 January 2019	1,125,441
Accretion of interest	69,877
Payments	(156,676)
Balance as at 31 December 2019	1,038,642
Current	156,676
Non-current	881,966
	1,038,642
Maturity analysis	
Not later than 1 year	156,676
Later than 1 year and not later than 5 years	626,704
Later than 5 years	255,262
	1,038,642

13. Deferred income

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

14. Long-term debts

	Kuwaiti Dinars	
	2019	2018
Current portion	7,890,000	7,700,000
Non-current portion	10,879,265	17,208,526
	18,769,265	24,908,526

Long-term debts consist of the following:

(a) Term loan from a local bank amounting to KD 6,562,218 (31 December 2018: KD 10,312,218) that is repayable by 30 September 2021.

(b) Term loan from a local bank amounting to KD 2,685,324 (31 December 2018: KD 3,880,854) that is repayable by 15 June 2022.

(c) Term loan from a local bank amounting to KD 9,521,723 (31 December 2018: KD 9,705,454) that is repayable by 15 June 2024.

(d) Term loan from a local bank amounting to KD 1,010,000 was fully repaid during the year.

The above loans of KD 18,769,265 (2018: KD 24,908,526) are secured by mortgage of freehold land with a carrying value of KD 5,297,030 (2018: KD 5,297,030) included in property and equipment (See note 8). The above loans carry an effective interest rate of 4.75% per annum.

As at the consolidated statement of financial position date, the undrawn long-term debts amounted to KD 2,983,235 (2018: KD 4,543,974).

15. Share capital

Share capital comprises of 122,236,800 authorised and issued shares of 100 fils (2018: 122,236,800 shares of 100 fils) each fully paid in cash.

16. Statutory reserve

As required by the Companies Law No. 1 of 2016 and its executive regulations, as amended, and the Parent Company's Articles of Association, as amended, 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration is to be transferred to statutory reserve, until it exceeds 50% of the paid up share capital. This reserve can be utilized only for distribution of a maximum dividend of 5% of the paid up share capital in years when retained earnings are inadequate for this purpose.

17. Voluntary reserve

In accordance with the Parent Company's Articles of Association, as amended, 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. There are no restrictions on distributions from the voluntary reserve. The Board of Directors have proposed to discontinue transfer to voluntary reserve from the year 2019. This is subject to approval of the shareholders in the Annual General Meeting.

18. Treasury shares and treasury shares reserve

	Kuwaiti Dinars	
	2019	2018
Number of shares held	582,448	582,448
As a percentage of issued shares	0.48%	0.48%
Market value (KD)	1,754,333	1,910,429

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. The balance in the treasury share reserve account is not available for distribution.

19. Cost of operations

	Kuwaiti Dinars	
	2019	2018
Staff salaries and related costs	15,938,650	15,193,320
Facilities costs	318,080	273,425
Material costs	312,408	243,315
Others	6,646	7,841
	16,575,784	15,717,901

20. General and administrative expenses

	Kuwaiti Dinars	
	2019	2018
Staff salaries and related costs	4,995,663	5,874,438
Facilities costs	1,928,194	2,342,007
Depreciation and amortisation	3,986,166	3,550,019
Other administration expenses	4,122,461	3,966,405
	15,032,484	15,732,869

21. Selling expenses

	Kuwaiti Dinars	
	2019	2018
Advertising and sales promotion	2,250,945	2,328,128
Staff salaries and related costs	308,150	317,534
Expected credit loss (net of recovery)	154,834	312,851
Other selling expenses	233,597	423,557
	2,947,526	3,382,070

22. Contribution to KFAS

This represents contribution to the Kuwait Foundation for Advancement of Science ("KFAS") computed at 1% of profit for the year after transfer to statutory reserve and set off of accumulated losses brought forward. Provision for contribution to KFAS for the year is KD 383,608. Of this, the contribution of Al Arabia Education Enterprises Company K.S.C. (Closed) is KD 381,993 (2018: KD 304,203).

23. National labour support tax ("NLST")

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

24. Zakat

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

25. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated as follows:

	Kuwaiti Dinars	
	2019	2018
Profit for the year	35,872,964	31,488,864
	Shares	
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	(582,448)	(582,448)
Weighted average number of outstanding shares	121,654,352	121,654,352
Basic and diluted earnings per share (fils)	295	259

26. Segment information

Primary segment information – business segments:

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

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

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

Segment information by business segments is as follows:

	Kuwaiti Dinars					
	Training and career development programs	English training	Learning solutions	Higher education	Others	Total
2019						
Segment revenues	1,339,701	803,084	746,416	70,404,965	-	73,294,166
Segment expenses	(1,211,591)	(635,834)	(625,001)	(28,336,833)	(1,701,403)	(32,510,662)
Depreciation and amortisation	(15,201)	(12,013)	(46,245)	(3,898,141)	(14,566)	(3,986,166)
Finance charges	-	-	-	(1,101,081)	(189,315)	(1,290,396)
Share of profit of associates	-	-	-	-	30,804	30,804
Other income	9,813	27,897	5,343	292,562	(397)	335,218
Profit/(loss) for the year	122,722	183,134	80,513	37,361,472	(1,874,877)	35,872,964
Assets						
Segment total assets	1,108,891	469,526	670,883	108,007,025	8,086,909	118,343,234
Liabilities						
Segment total liabilities	528,195	183,751	290,817	34,904,095	2,026,937	37,933,795

	Kuwaiti Dinars					
	Training and career development programs	English training	Learning solutions	Higher education	Others	Total
2018						
Segment revenues	1,356,764	870,879	609,604	66,413,448	-	69,250,695
Segment expenses	(1,246,210)	(781,076)	(563,323)	(28,721,981)	(1,702,287)	(33,014,877)
Depreciation and amortisation	(15,596)	(18,854)	(45,451)	(3,459,572)	(10,546)	(3,550,019)
Finance charges	-	-	-	(1,301,631)	(211,770)	(1,513,401)
Share of profit of associates	-	-	-	-	44,014	44,014
Other income	33,559	15,226	1,817	212,652	9,198	272,452
Profit/(loss) for the year	128,517	86,175	2,647	33,142,916	(1,871,391)	31,488,864
Assets						
Segment total assets	1,008,627	488,943	540,060	100,217,613	7,658,751	109,913,994
Liabilities						
Segment total liabilities	526,508	284,805	203,293	40,130,720	1,721,753	42,867,079

Segment revenue above represents income generated from external customers. There was no inter-segment income during the year (2018: 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

Revenues include an amount of KD 64,396,856 (2018: KD 60,845,027) from a Government institution in Kuwait.

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:

	Kuwaiti Dinars		
	Inside Kuwait	Outside Kuwait	Total
2019			
Segment revenues	72,021,500	1,272,666	73,294,166
Segment expenses	(31,350,043)	(1,160,619)	(32,510,662)
Depreciation and amortisation	(3,972,512)	(13,654)	(3,986,166)
Finance charges	(1,290,396)	-	(1,290,396)
Share of profit of associates	-	30,804	30,804
Other income	327,604	7,614	335,218
Profit for the year	35,736,153	136,811	35,872,964
Assets			
Segment total assets	116,712,299	1,630,935	118,343,234
Liabilities			
Segment total liabilities	37,345,027	588,768	37,933,795

	Kuwaiti Dinars		
	Inside Kuwait	Outside Kuwait	Total
2018			
Segment revenues	67,922,514	1,328,181	69,250,695
Segment expenses	(31,689,783)	(1,325,094)	(33,014,877)
Depreciation and amortisation	(3,529,127)	(20,892)	(3,550,019)
Finance charges	(1,513,401)	-	(1,513,401)
Share of profit of associates	-	44,014	44,014
Other income	253,280	19,172	272,452
Profit for the year	31,443,483	45,381	31,488,864
Assets			
Segment total assets	108,440,314	1,473,680	109,913,994
Liabilities			
Segment total liabilities	42,348,635	518,444	42,867,079

27. Commitments and contingent liabilities

	Kuwaiti Dinars	
	2019	**2018**
Commitments		
Capital commitments for construction	214,528	957,529
Contingent liabilities		
Letters of guarantee	1,582,252	1,510,500

28. Financial risk management

The Group's financial assets have been classified as "amortised cost" and fair value through other comprehensive Income "FVOCI" and all the financial liabilities have been classified as "other than at fair value through profit or loss".

Financial risk factors

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

The Group's Board of Directors oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The significant risks that the Group is exposed to are discussed below:

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises of three types of risks: currency risk, interest rate risk and equity price risk.

(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 2019, 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 27,693 (2018 - KD 199,085).

iii) Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Group manages the risk through diversification of investments.

The Group is not exposed to equity price risk as it does not have any investment marked to market.

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. Credit risk with respect to trade receivables is limited due to dispersion across large number of customers. The Group considers the credit quality of amounts that are neither past due nor impaired to be good.

During the year, 91% (2018: 90%) of the total trade receivables is due from a Government institution (See notes 5 and 26).

Maximum exposure to credit risk

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

	Kuwaiti Dinars	
	2019	**2018**
Bank balances	35,316,732	26,548,175
Trade and other receivables	21,176,894	19,770,749
	56,493,626	46,318,924

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.

	Kuwaiti Dinars			
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2019				
Financial liabilities				
Trade and other payables	748,898	-	-	-
Accruals and other liabilities	6,494,450	-	-	-
Retentions payable	466,557	-	-	-
Long-term debts	7,890,000	6,620,430	5,075,499	-
Lease liabilities	156,676	156,676	470,028	255,262
	15,756,581	6,777,106	5,545,527	255,262
Commitments				
Capital commitments for construction	214,528	-	-	-

	Kuwaiti Dinars			
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2018				
Financial liabilities				
Trade and other payables	1,025,981	-	-	-
Accruals and other liabilities	6,402,888	-	-	-
Retentions payable	966,509	-	-	-
Long-term debts	7,700,000	8,737,322	10,161,154	-
	16,095,378	8,737,322	10,161,154	-
Commitments				
Capital commitments for construction	957,529	-	-	-
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	741,756

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.

29. Capital risk management

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

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

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

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

As at 31 December 2019, the Group is not geared (2018: gearing ratio 5%)

30. Dividend distribution

Dividend – 2018

The Annual General Meeting of the shareholders held on 07 April 2019 approved the annual audited consolidated financial statements of the Group for the year ended 31 December 2018 and the payment of cash dividend of 185 fils per share to the shareholders (31 December 2017: 175 fils per share).

Proposed dividend – 2019

The Board of Directors, subject to the approval of shareholders, have recommended distribution of cash dividend of 200 fils per share (2018 – 185 fils per share) and bonus shares in the ratio of 10 shares for every 100 shares (10%) (2018 - Nil). The cash dividend and bonus shares, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

31. Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in note 2, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Significant increase in credit risk

As explained in note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Contingent liabilities

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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.

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.

32. Comparative figures

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