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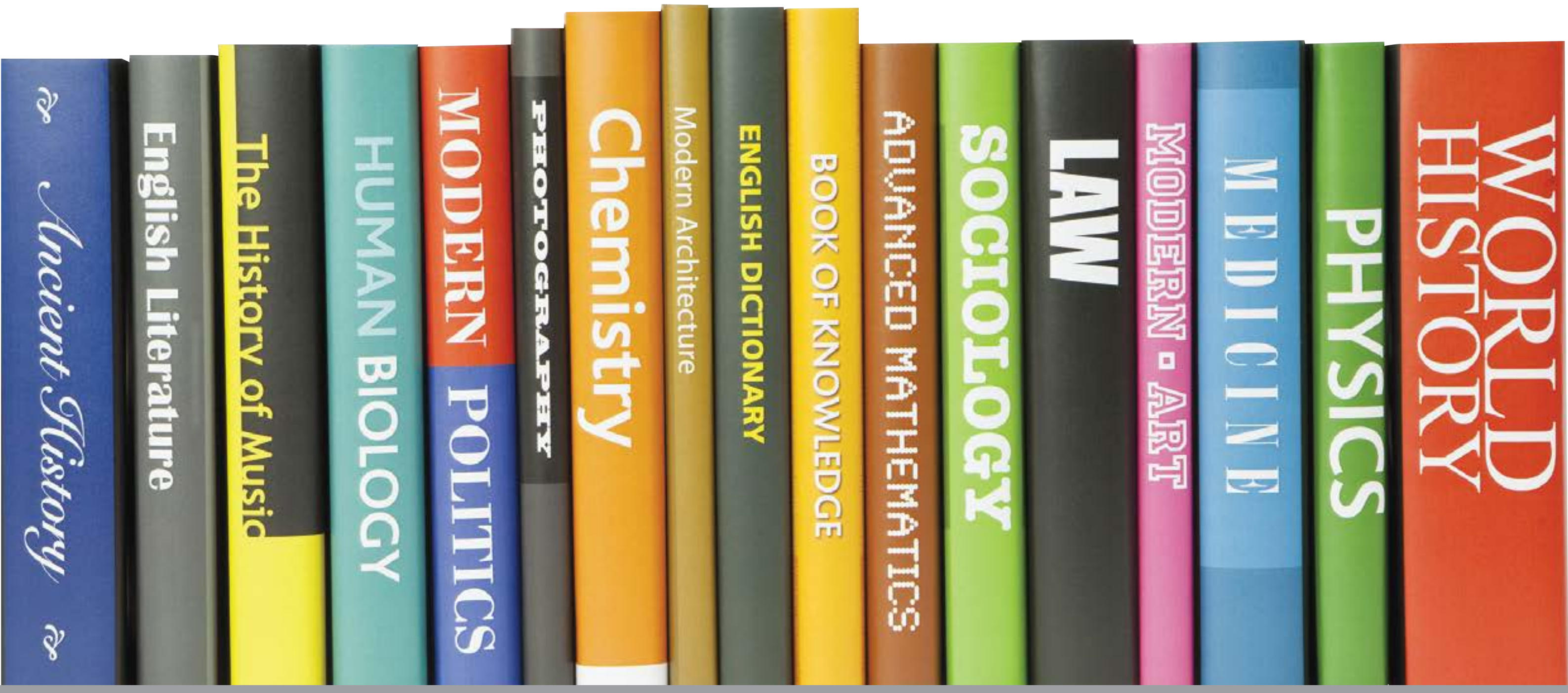
الشركة الأولى للتعليم
First Education Company

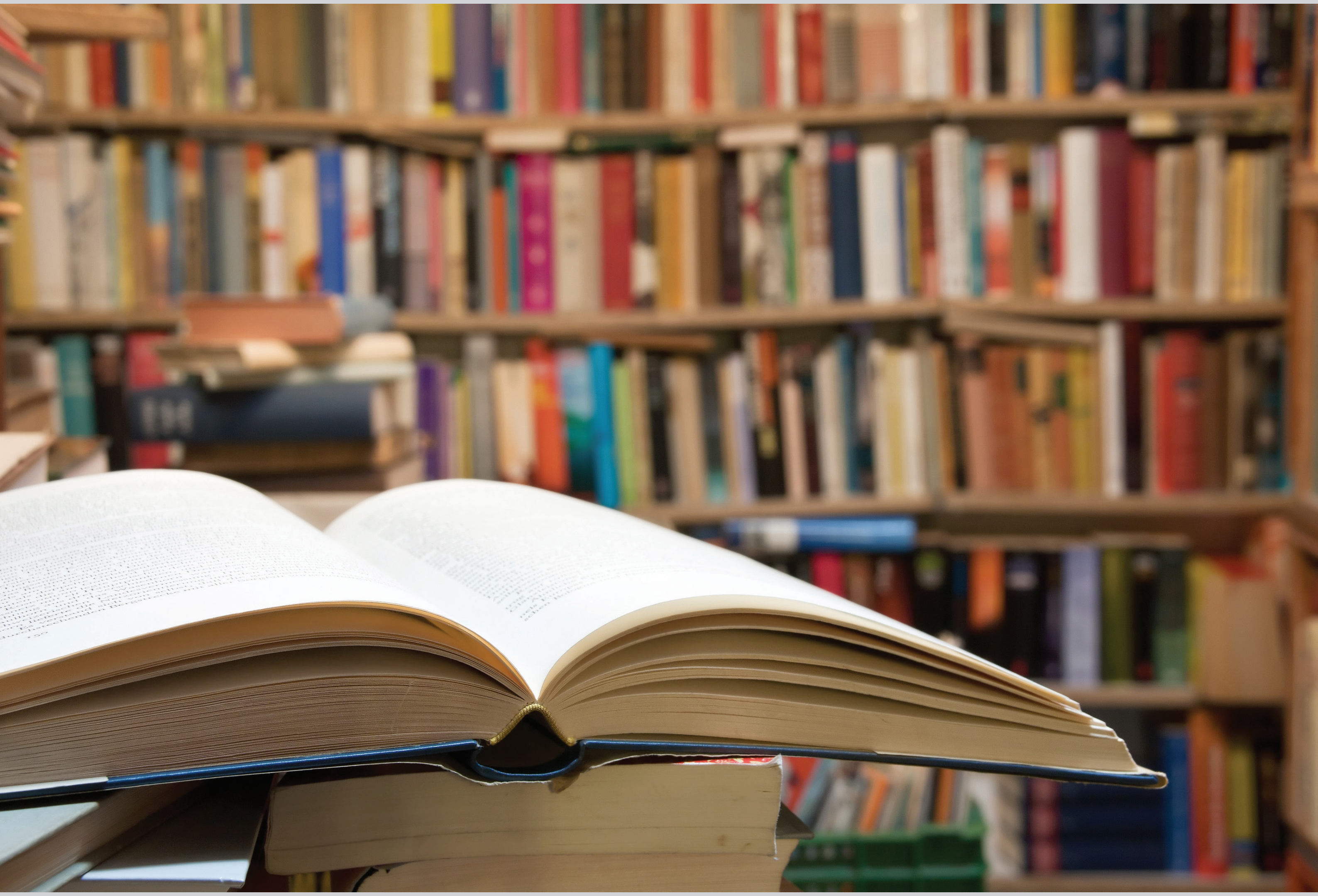
ANNUAL REPORT
2016



بسم الله الرحمن الرحيم

His Highness
Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad
Al-Jaber Al-Sabah
Crown Prince



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BOARD MEMBERS

Tariq A. Al-Adsani
Chairman

Dr.Omar S. Al-Mutawa
Vice Chairman

Nasser S. Al-Saleh
Board member

Reem M. Badran
Board member

Jayantha Premasekera
Board member

Sultan Mohammad Al-Eisa
Board member

Mrs. Dalal D. Al-Ghunaim
Board Member

Board of Directors' Report to the Shareholders

Dear Shareholders,

Peace, mercy and blessing of Allah be upon you …

Board of Directors has the pleasure to welcome you to the 9th annual meeting of the Ordinary General Assembly of your esteemed company to offer to you the BOD's report on the results of the company's business and transactions as on 30/09/2016 as well as its future directions.

Since its establishment, First Education Company endeavors to invest in education sector and to form strategic partnerships with a view to create successful educational institutions in order to provide to the society distinct and advanced education, keeping in pace with global developments and contributing to the creation of an educated qualified generation capable of making fruitful contributions to their societies. The company has investments in educational institutions from kindergarten to undergraduate stage, providing its services to more than 10 thousand students.

Private education sector greatly attracts the attention of the residents of Kuwait. Over the last 10 years, the growth in student numbers in private schools reached 45%, while the growth of student numbers in public schools reached 10%. Kuwaitis' heading to private schools was more evident as the students' growth in private schools reached 67%, while the students' growth in public schools reached 8%. Also, the number of Kuwaiti students who are attending private schools reached 18% of the total Kuwaiti students, and the total number of both Kuwaiti and non-Kuwaiti students who are attending private schools reached 41% of the total number of students in Kuwait.

As for undergraduate education, the number or students grew by 184% over the last 10 years, and the number of Kuwaiti students grew by 283% over the same period.

The year 2016 witnessed many achievements in the company's investments. In Kuwait, Al Resala Bilingual School (RBS), owned by Al Kalemah Al Tayebah Company, seeks to get the international recognition from an international organization; Council of International Schools (CIS). Also, Al Nibras Ideal School, owned by the Integrated Curricula Company, got an equivalency for its vocational certificates provided to special needs by Ministry of Education. Moreover, Kuwait College of Science and Technology initiated its educational activity and received more than 300 students in its first year including the scholarships provided by the government of State of Kuwait.

In Riyadh, Saudi Arabia, Universe International School realized profits of 1.9 million Riyals for the last school year. In the Kingdom of Bahrain, the Kingdom University opened the College of Business Administration after obtaining an approval from Education & Training Quality Authority, and the university is still carrying out constructions for the expansion of the university facilities.

As for the future projects, the company is striving to lease Al Nafal Educational Complex and invest it in a manner that results in good revenues. Also, the company currently is studying various educational opportunities in Kuwait Oman and Jordan.

The company's consolidated revenues for the period ended in September 2016 amounted to KD. 1,823,767, a decrease of 17% compared to the previous fiscal year, mainly because there were no revenues in this year in the item of change in fair value resulting from evaluating of Al Nafal Educational Complex in Riyadh. However, there has been increase in the company's operational revenues during this year by 13% as the company realized operational revenues of KD. 1,810,195 compared to KD. 1,600,507 for last year. Also, The company's consolidated expenses decreased by 1.3% amounting to KD. 671,477. At the end of the period, the company achieved net profits of KD. 877,855 or a decrease of 17% compared to the previous fiscal year.

On these grounds, the Board of Directors is pleased to submit a recommendation to the General Assembly to distribute cash dividend of 5% of the share capital to the company's shareholders with a total value of KD 750,000 and to pay Directors' remuneration of KD 2,500 for each member.

Finally, we extend our thanks and appreciation to all members of the company at all administrative and technical levels for their sincere efforts exerted in achieving our accomplishments, thanks to Allah Almighty. Also, we hope to all our esteemed shareholders' continuous prosperity and success, Allah willing.

Tariq Abdul Wahab Al-Adsani
Chairman

Fatwa and Shariah Supervisory Board
Final Report of Internal Sharia Audit
for the period from 01/10/2015 to 30/09/2016

To: The Shareholders of First Education Company

Peace, mercy and blessing of Allah be upon you …

Fatwa and Sharia Supervisory Board of First Education Company in its meeting held on Thursday 09/02/2017 examined the information received from the company upon a request to scrutinize the information, transactions and operations concluded during the period from 01/10/2015 to 30/09/2016. Their responses and annexes were examined and in view of these responses, information and statements obtained from the company, Fatwa and Sharia Supervisory Board found that the company's operations and transactions were in compliance with the provisions and principles of the Islamic Shariah during the said period.

Prof. Abdulaziz Al-Qassar
Head of the Sharia Division
On 09/02/2017

COMPANY PROFILE

Company History and Beliefs

First Education Company is a Kuwaiti share holding company (closed), located in Kuwait city, Kuwait.

It was founded in 2005 to be a leader in providing diverse educational and learning services of high quality and competitive costs at all learning levels.

First Education company has a major role of supporting private education in Kuwait and gulf region by developing and establishing innovative network of high quality educational institutions.

Vision & Mission

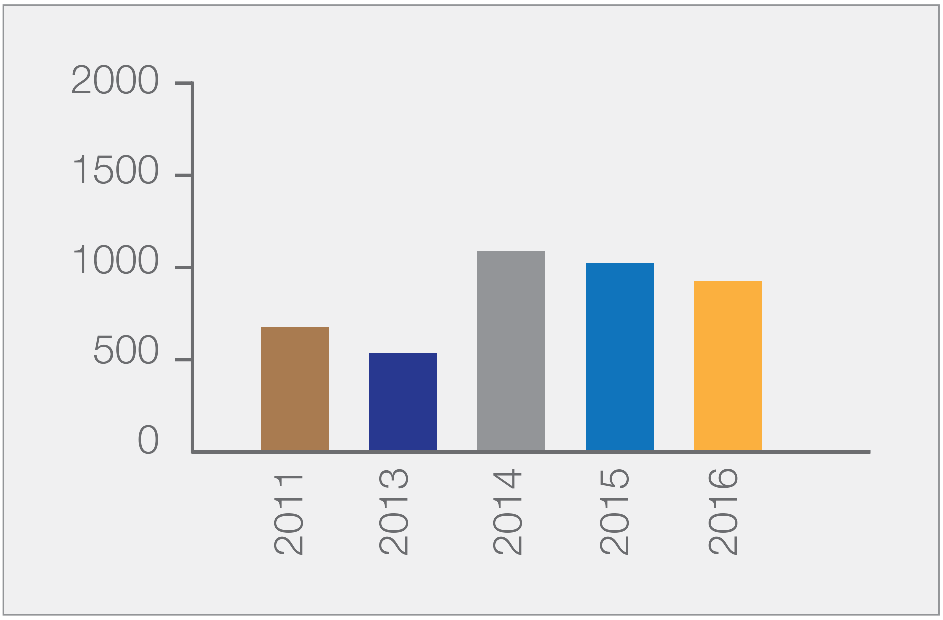
Vision

First Education Company (FEC) aims at acquiring a leading position as an eminent originator of value-added educational facilities in Kuwait, GCC, MENA region and beyond.

Mission

FEC's mission is to ensure that every person has the chance to learn, grow and prosper through access to quality education. Through education, we believe that we will create a generation of educated adults who will positively contribute to the communities locally, regionally and globally.

Net Profit - KD 000's



Stock Performance

	2011	2013	2014	2015	2016
Earnings Per Share (Fils)	5	4	7	7	6
Dividend Distribution (Fils/Share)	-	-	-	5	5
Book Value Per Share (Fils)	96	103	107	122	126

Kalema Tayeba Educational Company KSC (Closed), Kuwait

مدرسة الرسالة ثنائية اللغة
AL-RESALA BILINGUAL SCHOOL

Established in year 2005, this company owns Al-Resala Bilingual School situated in Mahboula on Fahaheel Highway. Al-Resala School provides students with a challenging education program which enables students to reach their full academic.

The educational program adopts interdisciplinary to learning where integration of the subject matter is at its core. It offers Arabic – English education to boys and girls starting from kindergarten to gradually grow to grade twelve. Al-Resalah integrates special needs students in a carefully designed curriculum. The school Holidays coincide with the holidays of Kuwait Ministry of Education.

The paid up capital of KTEC is KD 3.6 Million and FEC owns 20.00% in this investment.

Integrated Curriculum for Education Services Company W.L.L., Kuwait

مدرسة النبراس الدولية ثنائية اللغة
Al Nibras International Bilingual School

Established in year 2004, ICESC owns two schools, a school for children of special needs and another Nibras International Bilingual School. It offers Arabic – English education to boys and girls starting from kindergarten to gradually grow to grade twelve. Nibras sent their first batch to grade twelve in the year 2015.

Al-Nibras Schools are situated in Garb Jaleeb area in Farwaniya governorate opposite Abdullah Al Mubarak residential area, near the new location of Kuwait University's Shadadiyah campus.

The school offers all its services in the Arabic language using the Kuwaiti dialect. The school offers speech therapy, physical therapy, occupational therapy, social worker, counselor, nurse and monthly medical checkup.

The paid up capital of ICESC is KD 2.85 Million and FEC owns 32.71% in this investment.

Kuwait College for Science & Technology

KUWAIT COLLEGE OF SCIENCE & TECHNOLOGY
كليــة الكــويت للعلـــوم والتكنولـوجيا
Private University جامعـــة خاصـــة

Established in year 2007, Kuwait College of Science & Technology (KCST) in Kuwait has been established jointly with the Indian Institute of Technology (IIT), New Delhi's technical collaboration. The campus of KIST is completed and has started admission of the students since year 2016.

KCST is a private university established with the purpose of providing internationally recognized Under Graduate degrees in Science & Technology. KCST is located at a prominent location in Doha, west of Kuwait City amidst educational and recreational attractions. KCST takes pride in excellence in teaching, learning, research and developing leaders in various disciplines, while keeping pace with the rapid scientific and technological advancement of the modern world.

The paid up capital of KCST is KD. 6.825 Million and FEC owns 9.9% in this investment.

Saudi Arabia
Nafl Education Complex, Riyadh

By acquiring majority stake in Al-Maali Real Estate Company, FEC jointly owns Nafl Education Complex in Nafl City area of Riyadh, Saudi Arabia. Presently, it is occupied by Imam Mohammed Ibn Saud University, Girls Campus on lease.

The complex is expected to house an international school soon after Imam Mohammed Ibn Saud University vacates this complex.

Paid up capital of Al Maali is SAR 60.1 Million and FEC owns 64.3% in this investment.

Universe International School, Riyadh

FEC has invested in an international school in Nakheel area of Riyadh, an upcoming suburb. The school is presently accepting students from nursery to Grade Three for boys and girls from Nursery to Grade Six and will gradually grow to Grade Twelve.

FEC has taken 30% stake in the school which was valued at SAR 13.750 Million at the time of acquisition.

Kingdom of Bahrain
The Kingdom University BSC (Closed), Bahrain

Established in year 2004, Kingdom University (KU) is situated in Kingdom of Bahrain. KU offers undergraduate courses in College of Arts, College of Architectural Engineering & Design, College of Business, and College of Law. It also provides facility for master’s degree studies in Architecture and Law.

The University emphasizes the importance of innovation and development of the sense of creativity among students, so it adopted a curriculum for this purpose under the name of “Creative Thinking”, a course that includes theoretical and scientific material, as well as applied and allied activities, which promote creative thinking in students.

The paid up capital of KU is BD 8.2 Million and FEC owns 45.00% in this investment.

MENA
University of Petra, Amman

UNIVERSITY OF
PETRA

Located in West Amman, the University of Petra's friendly campus houses seven thousand undergraduate and graduate students in the faculties of Arts and Sciences, Pharmacy & Medical Sciences, Information Technology, Law, Architecture & Design, Administrative & Financial Sciences, and Mass Communication.

The University is a hub for creating knowledge through research, developing skills, applying knowledge to new technologies, and technology transfer.

In its endeavor to achieve this, the University has achieved the ISO 9001 of management for supporting higher education certificate, and the certificate of quality assurance of the Higher Education Accreditation Commission; in addition, the University is 1st runner-up on the QS ranking of private universities. It works toward quality, relevance, and alignment in terms of teaching and research, as well as bridging with industry, public and private sectors, and with the community at large.

With the development of e-learning, e-library and high speed communication facilities, The University has transformed itself into a smart campus where students and faculty interact with knowledge to develop their state-of-the-art skills with an aim towards enhancing innovation, entrepreneurship and creativity.

The paid up capital of University of Petra is JOD 16 Million and FEC owns 9.38% in this investment.

First Education Company K.S.C. (Closed)
and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2016

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST EDUCATION COMPANY K.S.C.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of First Education Company K.S.C.C. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST EDUCATION COMPANY K.S.C.C. (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, 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, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 30 September 2016 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

WALEED A. AL OSAIMI

LICENCE NO. 68 A

EY
AL AIBAN, AL OSAIMI & PARTNERS

6 February 2017
Kuwait

First Education Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED INCOME STATEMENT
For the year ended 30 September 2016

	Notes	2016 KD	2015 KD
INCOME			
Net investment income	4	**360,233**	191,595
Change in fair value of investment property	5	**-**	578,272
Rental income		**815,215**	804,220
Share of results from associates	7	**474,051**	507,640
Tuition fees		**160,696**	97,052
Other income		**13,572**	22,006
		1,823,767	2,200,785
EXPENSES			
Staff costs		**(139,065)**	(137,739)
Rental cost		**(103,116)**	(83,178)
Direct tuition cost		**(134,354)**	(106,965)
Depreciation		**(37,458)**	(43,892)
Administrative expenses		**(257,484)**	(290,625)
		(671,477)	(662,399)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		**1,152,290**	1,538,386
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(4,905)**	(5,217)
Zakat		**(5,979)**	(6,388)
Board of Directors' remuneration	12	**(17,500)**	(17,500)
PROFIT FOR THE YEAR		**1,123,906**	1,509,281
Attributable to:			
Equity holders of the Parent Company		**877,855**	1,057,477
Non-controlling interests		**246,051**	451,804
		1,123,906	1,509,281

The attached notes 1 to 16 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2016

	2016	*2015*
	KD	*KD*
Profit for the year	**1,123,906**	1,509,281
Other comprehensive income		
Items that are or may be reclassified subsequently to consolidated income statement		
Change in fair value of financial assets available for sale	**408,395**	740,801
Exchange differences on translation of foreign operations	**(35,756)**	309,617
Other comprehensive income for the year	**372,639**	1,050,418
TOTAL COMPERHENSIVE INCOME FOR THE YEAR	**1,496,545**	2,559,699
Attributable to:		
Equity holders of the Parent Company	**1,262,093**	2,238,869
Non-controlling interests	**234,452**	320,830
	1,496,545	2,559,699

The attached notes 1 to 16 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	*2016* KD	*2015* KD
ASSETS			
Non-current assets			
Furniture and equipment		**92,653**	72,860
Investment Property	5	**6,907,983**	6,935,312
Financial assets available for sale	6	**5,042,832**	4,938,187
Investment in associates	7	**7,282,851**	6,282,776
		19,326,319	18,229,135
Current assets			
Financial assets at fair value through profit or loss		**26,758**	26,758
Accounts receivable and prepayments	8	**1,698,892**	889,421
Bank balances and cash		**1,265,154**	2,260,697
		2,990,804	3,176,876
TOTAL ASSETS		**22,317,123**	21,406,011
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**15,000,000**	15,000,000
Statutory reserve	10	**198,121**	107,497
Cumulative changes in fair value reserve		**2,052,685**	1,644,290
Foreign currency translation reserve		**634,049**	658,206
Retained earnings		**975,598**	938,367
Equity attributable to the equity holders of the Parent Company		**18,860,453**	18,348,360
Non-controlling interests		**2,924,862**	2,690,410
Total equity		**21,785,315**	21,038,770
Non-current liability			
Employees' end of service benefits		**19,878**	16,721
Current liabilities			
Accounts payable and accruals	11	**511,930**	350,520
Total liabilities		**531,808**	367,241
TOTAL EQUITY AND LIABILITIES		**22,317,123**	21,406,011

Tareq A. Al-Adsani
Chairman

The attached notes 1 to 16 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2016

	Attributable to the equity holders of the parent Company							
	Share capital	*Statutory reserve*	*Cumulative changes in fair value reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Sub total*	*Non-controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
As at 1 October 2015	15,000,000	107,497	1,644,290	658,206	938,367	18,348,360	2,690,410	21,038,770
Profit for the year	-	-	-	-	877,855	877,855	246,051	1,123,906
Other comprehensive income (loss) for the year	-	-	408,395	(24,157)	-	384,238	(11,599)	372,639
Total comprehensive income for the year	-	-	408,395	(24,157)	877,855	1,262,093	234,452	1,496,545
Transfer to statutory reserve	-	90,624	-	-	(90,624)	-	-	-
Dividends (Note 9)	-	-	-	-	(750,000)	(750,000)	-	(750,000)
At 30 September 2016	**15,000,000**	**198,121**	**2,052,685**	**634,049**	**975,598**	**18,860,453**	**2,924,862**	**21,785,315**
As at 1 October 2014	15,000,000	222,342	903,489	217,615	(233,955)	16,109,491	2,369,580	18,479,071
Profit for the year	-	-	-	-	1,057,477	1,057,477	451,804	1,509,281
Other comprehensive income (loss) for the year	-	-	740,801	440,591	-	1,181,392	(130,974)	1,050,418
Total comprehensive income for the year	-	-	740,801	440,591	1,057,477	2,238,869	320,830	2,559,699
Extinguishment of accumulated losses (Note 9)	-	(222,342)	-	-	222,342	-	-	-
Transfer to statutory reserve	-	107,497	-	-	(107,497)	-	-	-
At 30 September 2015	**15,000,000**	**107,497**	**1,644,290**	**658,206**	**938,367**	**18,348,360**	**2,690,410**	**21,038,770**

The attached notes 1 to 16 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 September 2016

	Notes	2016 KD	2015 KD
OPERATING ACTIVITIES			
Profit for the year		**1,123,906**	1,509,281
Adjustments to reconcile profit for the year to net cash flows:			
Realised gain on sale of financial assets available for sale	4	**(170,603)**	-
Realised gain on sale of financial assets at fair value through profit or loss	4	**-**	(2,153)
Unrealised gain on financial assets at fair value through profit or loss	4	**-**	(1,093)
Dividends income	4	**(189,630)**	(188,349)
Change in fair value of investment property	5	**-**	(578,272)
Share of results of associates	7	**(474,051)**	(507,640)
Depreciation		**37,458**	43,892
Provision for employees' end of service benefits		**10,610**	8,097
		337,690	283,763
Working capital adjustments:			
Financial assets at fair value through profit or loss		**-**	54,729
Accounts receivable and prepayments		**(809,471)**	22,296
Accounts payable and accruals		**31,805**	(2,848,033)
Cash flows used in operations		**(439,976)**	(2,487,245)
Employee's end of service benefits paid		**(7,440)**	(2,443)
Net cash flows used in operating activities		**(447,416)**	(2,489,688)
INVESTING ACTIVITIES			
Dividends income received		**189,630**	188,349
Purchase of furniture and equipment		**(57,324)**	-
Proceeds from sale of financial assets available for sale		**474,353**	-
Additions of investment in associates	7	**(886,109)**	(233,278)
Dividends received from associates	7	**360,000**	180,000
Net cash flows from investing activities		**80,550**	135,071
FINANCING ACTIVITIES			
Dividends paid		**(620,395)**	-
Net cash flows used in financing activities		**(620,395)**	-
Net foreign exchange difference		**(8,282)**	440,591
NET DECREASE IN BANK BALANCES AND CASH		**(995,543)**	(1,914,026)
Bank balances and cash at the beginning of the year		**2,260,697**	4,174,723
BANK BALANCES AND CASH AT THE END OF THE YEAR		**1,265,154**	2,260,697

The attached notes 1 to 16 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2016

1 CORPORATE INFORMATION

The consolidated financial statements comprises of First Education Company K.S.C.C. (the "Parent Company") and its subsidiaries (collectively, the "Group") The Parent Company is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 20 December 2005.

The principal activities of the Group comprise the following:

- Constructing, establishing and managing educational institutions and various kinds of schools including nursery, primary, preparatory and secondary schools.
- Constructing and managing professional educational institutions and various training institutes and centres.
- Constructing buildings necessary for educational institutions and importing, exporting and trading in fixtures, equipment and plants pertaining to educational activities in all levels.
- Conducting studies and rendering all types of consultancy services and feasibility studies in the educational and training fields.
- Holding training courses relevant to the company's objectives according to the needs of the governmental bodies, companies and private institutions.
- Obtaining agencies for educational and training institutions and representing companies with similar objectives after obtaining the necessary official approvals.
- Issuing, publishing and distributing printouts and special books in the educational fields after obtaining the necessary licenses.
- Rendering programs and special computer services in the educational fields.
- Using surplus funds available with the company by investing it in financial portfolios managed by specialized bodies and companies.

The registered office of the Parent Company is at P.O. Box 20389, Safat 13063, Kuwait.

The consolidated financial statements of the Group for the year ended 30 September 2016 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 23 January 2017 and are subject to the approval of the general assembly of shareholders. The Annual General Meeting of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2016

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for financial assets available for sale and financial assets at fair value through profit or loss that have been measured at fair value.

The financial statements of the subsidiaries are prepared using consistent accounting policies except for certain investment properties carried at cost by one of the Group's subsidiaries, and adjustments have been made to unify the accounting policy with the Group's accounting policies below.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is also the functional and presentation currency of the Parent Company.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 September 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, 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; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated income statement. Any investment retained is recognised at fair value.

Details of the subsidiaries included in the consolidated financial statements set out below:

Name of the company	*Country of incorporation*	*Principal activities*	*Equity interest %*	
			2016	*2015*
Direct subsidiaries				
Saudi Kuwaiti Education & Training Company Limited	Saudi Arabia	Educational services	**100%**	100%
Al Maali Real Estate Company W.L.L.	Saudi Arabia	Educational services	**64.3%**	64.3%
FEC Holding Limited*	United Arab Emirates	Educational services	**100%**	100%
Held through FEC Holding Limited				
FEC Edification Holding Limited*	United Arab Emirates	Educational services	**100%**	100%

Subsequent to the year end, the Parent Company agreed to dissolve the operations of FEC Holding limited located in United Arab Emirates (Note 16).

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of the following amended IASB Standards:

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendment)
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group is in the process of quantifying the impact on the consolidated financial statement.

IAS 24 Related Party Disclosures (Amendment)
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments does not have impact on the Group as it does not receive any management services from other entities.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2016 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of these standards on its financial position or performance.

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

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group plans to adopt the new standard on the required effective date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

IFRS 7 Financial Instruments: Disclosures
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of income and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Group intends to adopt these standards and amendments when they become effective. However, the Group expects no material impact from the adoption of the amendments on its financial position or performance.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated income statement or as a change to other comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Tuition fees
Tuition fees are recognised in the year to which they relate on a time proportionate basis, less any allowable discounts.

Dividends income
Dividends income is recognised when the Group's right to receive payment is established.

Rental income
Rental income on investment properties from operating leases is recognised on straight line basis over the lease term.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% of taxable profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries subject to KFAS, Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Zakat is calculated at 1% of the profit of the Parent Company in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007.

Taxation on foreign subsidiaries
Taxation on foreign subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the country where the subsidiaries operate.

Foreign currency translation
The Group's consolidated financial statements are presented in Kuwaiti Dinar, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries and the carrying amount of foreign associates are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their income statement are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken to the consolidated statement of comprehensive income as foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated income statement.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current

Investment property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the consolidated income statement in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent, registered real estate valuers with relevant experience in the market in which the property is situated. The valuation reflects market conditions at the reporting date. Changes in the fair values of investment property is included in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

Investment property is derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, investment in associates is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. The Group recognises in the consolidated income statement its share of the total recognised income of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's income statement. The Group's share of those changes is recognised in the consolidated statement of comprehensive income.

Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The reporting dates of the associates and the Group are identical and in case of different reporting date of associate from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for the like transactions and events in similar circumstances.

The consolidated income statement reflects the Group's share of results of operations of the associates. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)

each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as impairment loss in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the consolidated income statement.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated income statement.

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated income statement.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets' or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) Financial assets

Initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity, financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets on initial recognition.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(i) Financial assets (continued)

All financial assets are recognised initially at fair value plus, in the case of investments not recorded at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include financial assets available for sale, financial assets at fair value through profit or loss, accounts receivable and bank balances and cash.

At the reporting date, the Group did not have any financial assets held-to-maturity or derivatives designated as hedging instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets available for sale
Financial assets available for sale include equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the consolidated income statement. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses of investment held for trading are recognised in the consolidated income statement. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated income statement.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(i) Financial assets (continued)

on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive the cash flows from the asset have expired; or
- the Group has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all of the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Impairment of financial assets
An assessment is made at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the consolidated income statement.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(ii) Impairment of financial assets (continued)

Financial assets available for sale
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.
In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available for sale previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the consolidated income statement.

(iii) Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities within the scope of IAS 39, are classified at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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At 30 September 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(iii) Financial liabilities (continued)
Initial recognition and subsequent measurement (continued)

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals.

At the reporting date, the Group didn't have any financial liabilities at faire value through profit or loss.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Accounts payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees in accordance with Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to 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 also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as at fair value through profit or loss or available for sale.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of consolidated income statement in the management accounts, they are classified as fair value through profit or loss.

All other financial assets are classified as financial assets available for sale.

Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as an investment property if it is acquired, developed or is in the process of development to principally generate rental income or for capital appreciation, or for undetermined future use.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in the consolidated income statement. The Group engaged an independent valuation specialist to assess fair value as at 30 September 2016. For investment property, a valuation methodology based on income capitalization approach was used through determining the net operating income after excluding the vacancy and collection loss and operating expenses.

Impairment of investments available for sale

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Valuation of unquoted investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Impairment of investment in associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

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4 NET INVESTMENT INCOME

	2016	*2015*
	KD	*KD*
Realised gain on sale of financial assets available for sale	**170,603**	-
Realised gain on sale of financial assets at fair value through profit or loss	**-**	2,153
Unrealised gain on financial assets at fair value through profit or loss	**-**	1,093
Dividends income	**189,630**	188,349
	360,233	191,595

5 INVESTMENT PROPERTY

	2016	*2015*
	KD	*KD*
At the beginning of the year	**6,935,312**	6,052,030
Change in fair value	**-**	578,272
Foreign exchange translation differences	**(27,329)**	305,010
Balance at the end of the year	**6,907,983**	6,935,312

Investment property represents freehold land and building owned by the Group's subsidiary "Al Maali Real Estate Company W.L.L" in Saudi Arabia.

As at 30 September 2016, the fair value of investment property is KD 6,907,983 (2015: KD 6,935,312). The fair value has been determined based on valuation performed by two independent professional real estate valuation experts who are specialised in valuing such type of property. The valuations are performed using the following method:

- Developed properties which generate rental income have been valued using the income capitalisation approach assuming full capacity of the property;

This investment property is considered level 2 for the fair value hierarchy and there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements. Based on the valuations, there has been no significant movement in the fair value of investment property.

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6 FINANCIAL ASSETS AVAILABLE FOR SALE

	2016	*2015*
	KD	*KD*
Local:		
Unquoted shares	**682,000**	682,000
Foreign:		
Quoted shares	**3,925,470**	3,517,075
Unquoted shares	**435,362**	739,112
	5,042,832	4,938,187

The quoted equity securities are listed on Amman Stock Exchange, Jordan.

Unquoted equity securities are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments. Accordingly, no impairment has been recognised in the consolidated income statement.

Unquoted foreign equity securities amounting to KD 435,362 (2015: KD 435,362) are managed by a related party (Note 12).

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in (Note 15).

7 INVESTMENT IN ASSOCIATES

Details of the Group's associates as at 30 September are as follows:

Name of company	***Country of incorporation***	***Principal Activity***	***% equity interest***		***2016***	*2015*
			2016	*2015*	***KD***	*KD*
The Kingdom University B.S.C. (Closed) ("KU")*	Kingdom of Bahrain	Educational services	**48.47%**	45.00%	**3,768,310**	3,173,624
Integrated Curriculum for Education Services Company W.L.L. ("ICES")	Kuwait	Educational services	**32.71%**	32.71%	**1,298,788**	1,218,823
Kalema Tayeba Educational Company K.S.C. (Closed) ("KTEC")	Kuwait	Educational services	**20%**	20%	**1,838,316**	1,890,329
Al Koon International Schools Company W.L.L. ("Al Koon")	Kingdom of Saudi Arabia	Educational services	**30%**	-	**377,437**	-
					7,282,851	6,282,776

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7 INVESTMENT IN ASSOCIATES (continued)

*During the year ended 2014, the Kingdom University B.S.C (Closed) has resolved to increase its share capital with an amount of BHD 2,500,000 (equivalent to KD 2,001,250), out of which the Parent Company's share is BHD 1,125,000 (equivalent to KD 900,563). During the current year the Parent Company has partially completed the payment of its portion of the increased share capital of the "KU" which resulted in increasing the ownership from 45% to 48.47% this increase has resulted since the remaining shareholders in "KU" has not yet completed their share of the increased share capital.

The movement in the carrying value of investment in associates is as follows:

	2016	*2015*
	KD	*KD*
At the beginning of the year	**6,282,776**	5,536,439
Additions	**886,109**	233,278
Share of results	**474,051**	507,640
Dividends received	**(360,000)**	(180,000)
Foreign currency translation adjustment	**(85)**	185,419
At the end of the year	**7,282,851**	6,282,776

The following table illustrates summarised financial information of Group's investment in associates:

	("KU")	*("KTEC")*	*Others*	*2016*	*2015*
	KD	*KD*	*KD*	*KD*	*KD*
Share of associate's statement of financial position:					
Current assets	**2,070,094**	**3,766,611**	**1,887,923**	**7,724,628**	6,419,149
Non-current assets	**7,711,797**	**3,957,319**	**2,199,202**	**13,868,318**	13,998,077
Current liabilities	**(696,543)**	**(316,328)**	**(332,964)**	**(1,345,835)**	(2,093,532)
Non-current liabilities	**(1,310,827)**	**(311,187)**	**(371,294)**	**(1,993,308)**	(953,806)
Equity	**7,774,521**	**7,096,415**	**3,382,867**	**18,253,803**	17,369,888
Proportion of the Group's ownership	**48.47%**	**20.00%**			
Group's share in the equity	**3,768,310**	**1,419,283**	**1,101,730**	**6,289,323**	5,613,493
Goodwill arising on acquisition of associates	**-**	**419,033**	**574,495**	**993,528**	669,283
Carrying value of the investment	**3,768,310**	**1,838,316**	**1,676,225**	**7,282,851**	6,282,776
Share of associates' revenue and results for the year					
Revenue	**898,124**	**798,151**	**1,135,283**	**2,831,558**	2,346,928
Results - profit for the year	**39,951**	**307,987**	**126,113**	**474,051**	507,640

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8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016	*2015*
	KD	*KD*
Prepayments	**22,966**	24,339
Accrued rent	**1,488,504**	679,268
Other receivables*	**187,422**	185,814
	1,698,892	889,421

*As at 30 September 2016, other receivables with an amount of KD 66,899 (2015: KD 66,899) were impaired and fully provided for.

9 SHARE CAPITAL

	2016	*2015*
	KD	*KD*
Authorised, issued and fully paid up in cash 150,000,000 shares of 100 fils each	**15,000,000**	15,000,000

The Board of Directors of the Parent Company has proposed cash dividends of 5 fils/share for the year ended 30 September 2016. This proposal is subject to the approval of the shareholders Annual General Assembly.

The Board of Directors, in the meeting held on 4 January 2016 has proposed cash dividends of 5 fils/ share for the year ended 30 September 2015. This proposal has been approved by the shareholders in the Annual General Assembly Meeting held on 20 March 2016 for payment of cash dividend of 5 fils per share amounting to KD 750,000 the year ended 30 September 2015 (30 September 2014: KD nil)

During the year ended 30 September 2015, the Annual General Assembly Meeting of the shareholders of the Parent Company has approved to extinguish the accumulated losses of the Company as at 30 September 2014 of KD 233,955 against the statutory reserve of KD 222,342. Accordingly, the balance of accumulated losses has been decreased to KD 11,613.

10 STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, Zakat and Directors' remuneration less accumulated losses brought forward has to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

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11 OTHER PAYABLES AND ACCRUALS

	2016	*2015*
	KD	*KD*
Accrued leave	**12,596**	11,653
Dividend payable to the shareholders	**129,605**	-
Other payables and accruals	**369,729**	338,867
	511,930	350,520

12 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties during the year are as follows:

Unquoted foreign equity securities amounting to KD 435,362 (2015: KD 435,362) are managed by a related party (Note 6).

Compensation of key management personnel:

	2016	*2015*
	KD	*KD*
Salaries and other short term benefits	**78,172**	69,334
Terminal benefits	**8,507**	5,895
Directors' remuneration	**17,500**	17,500
	104,179	92,729

Directors' remuneration of KD 17,500 is subject to approval by the Annual General Assembly of the shareholders of the Parent Company. Directors' remuneration for the year ended 30 September 2015 with amount of KD 17,500 has been approved by the Annual General Assembly of the shareholders of the Parent Company held on 20 March 2016.

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the year ended 30 September 2016 and 30 September 2015.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial assets subject to credit risk consist principally of accounts receivable and bank balances.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis by the Parent Company's Board of Directors. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with a view to minimise the Group's exposure to bad debts. The maximum exposure is the carrying amount as presented in the consolidated statement of financial position.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements:

	2016	*2015*
	KD	*KD*
Accounts receivable (excluding prepayments)	**1,675,926**	865,082
Bank balances (excluding cash on hand)	**1,264,076**	2,259,971
	2,940,002	3,125,053

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

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13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's financial assets subject to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the following geographic regions and industry sectors:

	2016	*2015*
	KD	*KD*
Geographic regions		
Kuwait	**996,387**	1,874,206
Bahrain	**1,943,615**	1,250,847
	2,940,002	3,125,053

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group has procedures in place with the objective of minimising such risk such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitments.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

30 September 2016	***On demand KD***	***3 to 6 months KD***	***6 to 12 months KD***	***Total KD***
Accounts payable and accruals (excluding tuition fees received in advance)	**129,605**	**78,197**	**295,365**	**503,167**
Total liabilities	**129,605**	**78,197**	**295,365**	**503,167**
30 September 2015				
Accounts payable and accruals (excluding tuition fees received in advance)	11,570	282,797	31,252	325,619
Total liabilities	11,570	282,797	31,252	325,619

Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market. The Group is mainly exposed to foreign currency risk and equity price risk.

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13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operates in Kuwait, Saudi Arabia and United Arab Emirates and as a result is exposed to changes in exchange rates of the Saudi Riyal and UAE Dirhams. The Group's consolidated statement of financial position can be significantly affected by the movement in these currencies.

Foreign currency risk is managed by the Parent Company by continuous assessment of the Group's open positions and current and expected exchange rate movements.

The Group had the following significant net exposures denominated in foreign currencies as of 30 September:

	2016	*2015*
	KD	*KD*
SAR Saudi Riyal	**1,918,182**	1,145,614
UAE Dirhams	**44,949**	126,709

Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investment is listed on Amman Stock Exchange.

The effect on equity (as a result of a change in the fair value of financial assets available for sale) due to 5% change in market indices, with all other variables held constant is as follows:

	Effect on other comprehensive income	
Market indices	**2016**	2015
	KD	KD
Jordan	**196,274**	175,854

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14 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the year ended 30 September 2016 and 30 September 2015. Capital represents total equity and is measured at KD 18,860,453 as at 30 September 2016 (30 September 2015: KD 18,348,360).

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

The fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts, except for unquoted financial assets available for sale which are carried at cost less impairment amounting to KD 1,117,362 (2015: KD 1,421,112) (Note 6).

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy at 30 September:

	Level 1	***Level 2***	***Level 3***	***Total***
2016	***KD***	***KD***	***KD***	***KD***
Financial assets at fair value through profit or loss	**-**	**-**	**26,758**	**26,758**
Financial assets available for sale	**3,925,470**	**-**	**-**	**3,925,470**

	Level 1	*Level 2*	*Level 3*	*Total*
2015	*KD*	*KD*	*KD*	*KD*
Financial assets at fair value through profit or loss	-	-	26,758	26,758
Financial assets available for sale	3,517,075	-	-	3,517,075

During the reporting year ended 30 September 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

15 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the beginning and closing balances of level 3 financial assets which are recorded at fair value.

	At 1 October 2015	***Gain recorded in the consolidated statement of income***	***Net purchases, sales, transfers and settlements***	***At 30 September 2016***
	KD	***KD***	***KD***	***KD***
Financial assets at fair value through profit or loss	**26,758**	**-**	**-**	**26,758**

	At 1 October 2014	*Gain recorded in the consolidated statement of income*	*Net purchases, sales, transfers and settlements*	*At 30 September 2015*
	KD	*KD*	*KD*	*KD*
Financial assets at fair value through profit or loss	81,487	3,246	(57,975)	26,758

16 SUBSEQUENT EVENTS

Subsequent to the year end, the Parent Company agreed to dissolve the operations of FEC Holding Limited and its direct subsidiary FEC Edification Holding Limited located in United Arab Emirates. As this subsidiary is not significant to the Group, the management do not expect any impact arising from the proposed dissolution.