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

CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2019

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF FIRST EDUCATION COMPANY K.S.C. (Closed)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Education Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF FIRST EDUCATION COMPANY K.S.C. (Closed) (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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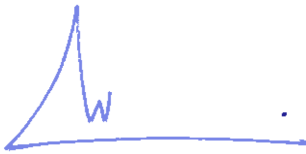
INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF FIRST EDUCATION COMPANY K.S.C. (Closed) (continued)

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, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 30 September 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207- A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

16 February 2020
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2019

	Notes	*2019* *KD*	*2018* *KD*
INCOME			
Dividend income		**159,219**	220,986
Changes in fair value of investment property	4	**32,739**	(1,466,467)
Rental income		**-**	69,153
Share of results from associates	6	**350,342**	382,638
Other income		**436,850**	10,238
		979,150	(783,452)
EXPENSES			
Staff costs		**(134,804)**	(112,016)
Unrealised loss on financial assets at fair value through profit or loss		**(10,798)**	-
Depreciation on property and equipment and right-of-use assets		**(33,946)**	(13,682)
Allowance for expected credit losses	7	**(317,264)**	-
General and administrative expenses		**(74,407)**	(234,578)
		(571,219)	(360,276)
PROFIT (LOSS) BEFORE TAX		**407,931**	(1,143,728)
Zakat		**(4,900)**	-
PROFIT (LOSS) FOR THE YEAR		**403,031**	(1,143,728)
Attributable to:			
Equity holders of the Parent Company		**513,443**	(605,920)
Non-controlling interests		**(110,412)**	(537,808)
		403,031	(1,143,728)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2019

	2019 *KD*	*2018* *KD*
Profit (loss) for the year	**403,031**	(1,143,728)
Other comprehensive income (loss)		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**55,064**	(33,023)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	**55,064**	(33,023)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in the fair value of equity investments at fair value through other comprehensive income	**(423,888)**	(24,305)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(423,888)**	(24,305)
Other comprehensive loss for the year	**(368,824)**	(57,328)
TOTAL COMPERHENSIVE INCOME (LOSS) FOR THE YEAR	**34,207**	(1,201,056)
Attributable to:		
Equity holders of the Parent Company	**138,433**	(670,984)
Non-controlling interests	**(104,226)**	(530,072)
	34,207	(1,201,056)

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 2019

	Notes	*2019 KD*	*2018 KD*
ASSETS			
Non-current assets			
Furniture and equipment		**23,989**	35,535
Right-of-use assets		**18,667**	-
Investment property	4	**5,521,314**	5,471,373
Investment securities	5	**4,446,865**	4,870,753
Investment in associates	6	**7,175,629**	6,661,286
		17,186,464	17,038,947
Current assets			
Investment securities	5	**7,280**	18,078
Accounts receivable and prepayments	7	**345,699**	664,514
Cash and cash equivalents	8	**866,782**	884,065
		1,219,761	1,566,657
TOTAL ASSETS		**18,406,225**	18,605,604
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**15,000,000**	15,000,000
Statutory reserve	10	**260,706**	260,706
Fair value reserve		**1,456,718**	1,880,606
Foreign currency translation reserve		**673,110**	624,232
Accumulated losses		**(1,188,838)**	(1,702,281)
Equity attributable to the equity holders of the Parent Company		**16,201,696**	16,063,263
Non-controlling interests		**1,924,423**	2,028,649
Total equity		**18,126,119**	18,091,912
Non-current liabilities			
Employees' end of service benefits		**30,588**	23,647
Current liabilities			
Accounts payable and accruals	11	**230,414**	490,045
Lease liabilities		**19,104**	-
		249,518	490,045
Total liabilities		**280,106**	513,692
TOTAL EQUITY AND LIABILITIES		**18,406,225**	18,605,604

Mohammad Gh M Gh Al Tayyar
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 2019

	Attributable to the equity holders of the Parent Company							
	Share capital KD	*Statutory reserve KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Accumulated losses KD*	*Sub total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 October 2018	15,000,000	260,706	1,880,606	624,232	(1,702,281)	16,063,263	2,028,649	18,091,912
Profit (loss) for the year	-	-	-	-	513,443	513,443	(110,412)	403,031
Other comprehensive (loss) income for the year	-	-	(423,888)	48,878	-	(375,010)	6,186	(368,824)
Total comprehensive (loss) income for the year	-	-	(423,888)	48,878	513,443	138,433	(104,226)	34,207
At 30 September 2019	**15,000,000**	**260,706**	**1,456,718**	**673,110**	**(1,188,838)**	**16,201,696**	**1,924,423**	**18,126,119**
As at 1 October 2017 as previously reported (audited)	15,000,000	260,706	1,836,146	664,991	765,163	18,527,006	2,728,616	21,255,622
Impact of adopting IFRS 9	-	-	68,765	-	(1,111,524)	(1,042,759)	(169,895)	(1,212,654)
Restated opening balance under IFRS 9	15,000,000	260,706	1,904,911	664,991	(346,361)	17,484,247	2,558,721	20,042,968
Loss for the year	-	-	-	-	(605,920)	(605,920)	(537,808)	(1,143,728)
Other comprehensive (loss) income for the year	-	-	(24,305)	(40,759)	-	(65,064)	7,736	(57,328)
Total comprehensive loss for the year	-	-	(24,305)	(40,759)	(605,920)	(670,984)	(530,072)	(1,201,056)
Dividends (Note 16)	-	-	-	-	(750,000)	(750,000)	-	(750,000)
At 30 September 2018	15,000,000	260,706	1,880,606	624,232	(1,702,281)	16,063,263	2,028,649	18,091,912

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 2019

	Notes	*2019* *KD*	*2018* *KD*
OPERATING ACTIVITIES			
Profit (loss) before tax		**407,931**	(1,143,728)
Adjustments to reconcile profit (loss) before tax to net cash flows:			
Dividend income		**(159,219)**	(220,986)
Changes in fair value of investment property	4	**(32,739)**	1,466,467
Unrealised loss on financial asset at fair value through profit or loss		**10,798**	-
Share of results of associates	6	**(350,342)**	(382,638)
Other income		**(436,850)**	(10,238)
Depreciation on property and equipment and right-of-use assets		**33,946**	13,682
Allowance for expected credit losses	7	**317,264**	-
Provision for employees' end of service benefits		**7,378**	3,575
Interest expense on lease liabilities		**1,287**	-
		(200,546)	(273,866)
Working capital adjustments:			
Accounts receivable and prepayments		**14,141**	(390,498)
Accounts payable and accruals		**35,145**	(50,418)
Cash flows used in operations		**(151,260)**	(714,782)
Employee's end of service benefits paid		**(437)**	(2,017)
Net cash flows used in operating activities		**(151,697)**	(716,799)
INVESTING ACTIVITIES			
Dividend income received		**159,219**	220,986
Purchase of furniture and equipment		-	(3,978)
Proceeds from disposal of financial assets at fair value through profit or loss		-	8,680
Dividends received from associates	6	**298,615**	275,522
Net movement in short-term wakala deposits	8	**(340,000)**	-
Net cash flows from investing activities		**117,834**	501,210
FINANCING ACTIVITIES			
Dividends paid to equity holders of the Parent Company		**(302,250)**	(621,255)
Payment of lease liabilities		**(20,676)**	-
Net cash flows used in financing activities		**(322,926)**	(621,255)
Net foreign exchange differences		**(494)**	(6,282)
NET DECREASE IN BANK BALANCES AND CASH		**(357,283)**	(843,126)
Cash and cash equivalents as at 1 October		**884,065**	1,727,191
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	8	**526,782**	884,065
Non-cash items excluded from the consolidated statement of cash flows:			
ECL opening balance adjustment for tenant receivables (adjusted with accounts receivable and prepayments)		-	475,895
Adjustment to right-of-use assets on adoption of IFRS 16		**(41,067)**	-
Adjustment to lease liabilities on adoption of IFRS 16		**41,067**	-

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

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of First Education Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 30 September 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 16 February 2020 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a Kuwaiti closed shareholding company registered and incorporated in the State of Kuwait on 20 December 2005. The Parent Company carries out its activities in accordance with Islamic Sharīʻa principles as approved by the Group's Fatwa and Sharīʻa Supervisory Board.

The principal activities of the Parent Company is as follows:

- 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 Group'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 right to participate with other firms, which operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those firms or participate in their equity.

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

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include following subsidiaries:

Name of the company	*Country of incorporation*	*Principal activities*	*Effective equity interest*	
			2019	*2018*
Direct subsidiaries				
Saudi Kuwaiti Education & Training Company Limited	Saudi Arabia	Educational services	**100%**	100%
Al Maali Real Estate Company W.L.L.	Saudi Arabia	Real estate	**64.3%**	64.3%
FEC Holding Limited [1]	United Arab Emirates	Educational services	**100%**	100%
Held through FEC Holding Limited				
FEC Edification Holding Limited [1]	United Arab Emirates	Educational services	**100%**	100%

[1] The Parent Company agreed to dissolve the operations of FEC Holding Limited and its direct subsidiary FEC Edification Holding Limited domiciled in the United Arab Emirates. As this subsidiary is not significant to the Group, the management does not expect any significant impact arising from the proposed dissolution on the Group's consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION (continued)

1.2 GROUP INFORMATION (continued)

b) Associates

Set out below are the associates of the Group as at 30 September. For more details, refer to Note 6.

Name of company	*Country of incorporation*	*Principal activities*	*% equity interest*		*2019*	*2018*
			2019	*2018*	***KD***	*KD*
The Kingdom University B.S.C. (Closed) ("KU")	Kingdom of Bahrain	Educational services	**46.89 %***	45.38%	**3,491,572**	3,230,463
Integrated Curriculum for Education Services Company W.L.L. ("ICES")	Kuwait	Educational services	**32.71%**	32.71%	**1,306,158**	1,300,115
Kalema Tayeba Educational Company K.S.C. (Closed) ("KTEC")	Kuwait	Educational services	**20.00%**	20.00%	**1,972,412**	1,726,519
Al Koon International Schools Company W.L.L. ("Al Koon")	Kingdom of Saudi Arabia	Educational services	**30.00%**	30.00%	**405,487**	404,189
					7,175,629	6,661,286

* During the previous year, the Parent Company had contributed an amount of KD 101, 327 towards additional paid-in capital of Kingdom University (KU). The legal formalities were completed during the current year and accordingly the equity interest has increased from 45.38% to 46.89% to reflect the increase in capital.

2.1 BASIS OF PREPARATION

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).

The consolidated financial statements have been prepared on a historical cost basis except for investment securities and investment properties which have been measured at fair value.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of following new and amended standards effective as of 1 October 2018:

New and amended standards and interpretations

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 October 2018. The Group has early adopted IFRS 16 - *leases* in advance of their effective date of initial application i.e. 1 October 2019. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below:

2.2.1 Early Adoption of IFRS 16 - Leases ("IFRS 16")

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the consolidated statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

2.2.1 Early Adoption of IFRS 16 - Leases ("IFRS 16") (continued)

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group elected to use the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16 as at 1 October 2018 on the consolidated statement of financial position is as follows:

	KD
ASSETS	
Right-of-use assets	**41,067**
LIABILITIES	
Lease liabilities	**41,067**

The Group has discounted its future lease obligations using its incremental borrowing rate which is determined at 4.75% at the reporting date.

The adoption IFRS 16 did not have impact on the accumulated losses as at 1 October 2018.

a) Nature of the effect of adoption of IFRS 16

Prior to the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

➢ *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

2.2.1 Early Adoption of IFRS 16 - Leases ("IFRS 16") (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

Based on the above, as at 1 October 2018:

- Right-of-use assets of KD 41,067 were recognised and presented separately in the consolidated statement of financial position.
- Lease liabilities of KD 41,067 were recognised and presented separately in the consolidated statement of financial position.

b) Amounts recognised in the consolidated statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets KD	*Lease liabilities KD*
At 1 October 2018	**41,067**	**41,067**
Depreciation expense	**(22,400)**	-
Accretion of interest	-	**(1,287)**
Payments	-	**(20,676)**
At 30 September 2019	**18,667**	**19,104**

2.2.2 IFRS 15 - *Revenue from Contracts with Customers*

The Group adopted IFRS 15 *Revenue from Contracts with Customers* on its effective date of 1 October 2018. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

Based on its assessment, the Group did not have any material impact on the application of IFRS 15 in transition to result in significant impact on its past results. Accordingly, no restatements have been made to the consolidated financial statements despite on adoption of the standard on modified retrospective approach.

2.2.3 Amendments to IAS 40 - *Transfers of Investment Property*

The amendment is applied prospectively, however, retrospective application in accordance with IAS 8 is permitted if possible without the use of hindsight. The amendment clarifies when an entity should transfer property, including property under construction or development into, or out of, investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. There has been no change in use of any of the Group's investment property.

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

2.3 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 the amendments on its financial position or performance.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 3: *Definition of a Business*
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: *Definition of Material*
In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financials position or performance of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

2.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at reporting period.

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
- 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
- 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 Basis of consolidation (continued)

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 profit or loss. Any investment retained is recognised at fair value.

2.4.2 Revenue recognition

Policy applicable before 1 October 2018

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 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.

Rental income

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

Policy effective from 1 October 2018

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it typically controls the services before transferring them to the customer.

The Group identifies contracts with customers, when applicable; identifies the performance obligations; determines the transaction price which takes into account estimates of variable consideration and the time value of money (if any); allocates the transaction price to the performance obligations. In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.4.3 Dividend income

Dividend income is recognised when the Group's right to receive the payment is established which is generally when shareholders approve the dividend.

2.4.4 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 Group in accordance with 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.5 Leases

Policy applicable before 1 October 2018

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in general and administrative expenses in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy effective from 1 October 2018

- *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.5 Leases (continued)

Policy effective from 1 October 2018 (continued)

- *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.4.6 Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is 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 (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.4.7 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.7 Investment property (continued)

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) 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 consolidated statement of profit or loss 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 and equipment up to the date of change in use.

2.4.8 Investment in associates

An associate is an entity over which the Group has significant influence. 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 investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal is recognised in profit or loss.

2.4.9 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 CGU's fair value less costs of disposal and its value in use. The 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.9 Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's 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 statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.4.10 Financial instruments - *Recognition and initial measurement*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.10 Financial instruments - ***Recognition and initial measurement (continued)***
i) Financial assets (continued)
Subsequent measurement (continued)

a) Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive 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 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.10 Financial instruments - *Recognition and initial measurement (continued)*

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include accounts payables and accruals.

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

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost

Accounts payable and accruals
Accounts payable and accruals are recognised for amounts to be paid in the future for 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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

2.4.11 Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. Equity investments are not subject to ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Receivables from a related party that are interest free and receivable on demand, the Group expects no default on such amounts after reviewing and assessing the financial position of these parties. Accordingly, the measurement of Receivables from a related party under IFRS 9 doesn't have impact on the consolidated statement of profit or loss for the Group.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.12 Employees' end of service benefits

The Group provides end of service benefits to all its employees under the Kuwait Labour law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

Further, with respect to its Kuwaiti national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

2.4.13 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.14 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 benefit is remote.

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

2.4.15 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 be sold or consumed in the 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 the 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Significant judgments

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

Classification of real estate properties

Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Leases - determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Lease classification - Group as a lessor
Policy before 01 October 2018

The Group has entered into vehicle leasing arrangements with customers. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the vehicles and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vehicles, that it retains all the significant risks and rewards of ownership of these vehicles and accounts for the contracts as operating leases.

3.2 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 also described in the individual notes of the related financial statement line items 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 that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement.*

The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 15.

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4 INVESTMENT PROPERTY

	2019 ***KD***	*2018* *KD*
At 1 October	**5,471,373**	6,918,387
Change in fair value	**32,739**	(1,466,467)
Foreign exchange translation adjustments	**17,202**	19,453
At 30 September	**5,521,314**	5,471,373

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

The fair value of investment property is determined based on valuations performed by independent and accredited valuer with recognised and relevant professional qualification and with recent experience in the location and category of investment property being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using market comparison approach considering the nature and usage of the property. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of the investment property witnessed an increase of KD 32,739 compared to its carrying values as at 30 September 2019 (2018: Decrease of KD 1,466,467).

5 INVESTMENT SECURITIES

	2019 *KD*	*2018* *KD*
Financial assets at FVOCI	**4,446,865**	4,870,753
Financial assets at FVTPL	**7,280**	18,078
	4,454,145	4,888,831

The hierarchy of determining and disclosing fair values by valuation techniques is presented in Note 15.1.

6 INVESTMENT IN ASSOCIATES

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

	("KU") *KD*	*("KTEC")* *KD*	*Individually immaterial associates* *KD*	*2019* *KD*	*2018* *KD*
Current assets	**1,455,872**	**5,458,370**	**2,192,646**	**9,106,888**	7,731,265
Non-current assets	**9,173,481**	**3,587,036**	**2,302,913**	**15,063,430**	15,445,695
Current liabilities	**(1,185,617)**	**(555,645)**	**(315,736)**	**(2,056,998)**	(1,505,764)
Non-current liabilities	**(1,997,431)**	**(688,587)**	**(717,510)**	**(3,403,528)**	(2,489,391)
Equity	**7,446,305**	**7,801,174**	**3,462,313**	**18,709,792**	19,181,805
Proportion of the Group's ownership					
Group's share in the equity	**3,491,572**	**1,556,865**	**1,125,425**	**6,173,862**	5,660,570
Goodwill arising on acquisition of associates	-	**415,547**	**586,220**	**1,001,767**	1,000,716
Carrying value of the investment in associates	**3,491,572**	**1,972,412**	**1,711,645**	**7,175,629**	6,661,286
Revenue	**1,952,359**	**4,714,663**	**3,659,492**	**10,326,514**	9,928,671
Total expenses	**(1,995,316)**	**(2,879,146)**	**(3,648,520)**	**(8,522,982)**	(8,198,632)
(Loss) profit for the year	**(42,957)**	**1,835,517**	**10,972**	**1,803,532**	1,730,039
Group's share of results for the year	**(20,143)**	**366,898**	**3,587**	**350,342**	382,638
Dividends received from associates	-	**252,000**	**46,615**	**298,615**	275,522

6 INVESTMENT IN ASSOCIATES (continued)

A reconciliation of the above summarised financial information to the carrying amount of the associates is set out below:

	2019 ***KD***	*2018* *KD*
As at 1 October	**6,661,286**	7,304,561
Additional contribution	-	101,327
Transition adjustment on initial application of IFRS 9 at 1 October 2017	-	(805,524)
Share of results	**350,342**	382,638
Other movements in associates	**424,260**	-
Dividends received	**(298,615)**	(275,522)
Foreign currency translation adjustments	**38,356**	(46,194)
As at 30 September	**7,175,629**	6,661,286

As at 30 September 2019 and 30 September 2018, the Group had no commitments and contingent liabilities from associates.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019 ***KD***	*2018* *KD*
Tenant receivables	**793,159**	793,159
Less: Allowance for expected credit losses	**(793,159)**	(475,895)
	-	317,264
Prepayments	**2,925**	3,368
Receivables from a related party (Note 12)	**331,932**	341,522
Other receivables	**10,842**	2,360
	345,699	664,514

Tenant receivables was past due over 365 days and therefore full balance has been provided as at 30 September 2019. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Information about the credit exposures are disclosed in Note 13.1.

Movement in the allowance for expected credit losses on tenant receivables is as follows:

	2019 ***KD***	*2018* *KD*
At 1 October under IAS 39	-	-
Opening loss allowance as at 1 October 2017 – calculated under IFRS 9	-	475,895
Opening provision for impairment of rent receivables	**475,895**	475,895
Allowance recognised in profit or loss during the year	**317,264**	-
As at 30 September	**793,159**	475,895

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2019 KD	*2018 KD*
Cash on hand	**257**	257
Cash at bank	**526,525**	883,808
Short-term wakala deposits	**340,000**	-
Cash and cash equivalents as per consolidated statement of financial position	**866,782**	884,065
Less: short-term wakala deposits	**(340,000)**	-
Cash and cash equivalents as per consolidated statement of cash flows	**526,782**	884,065

Short-term wakala deposits represent placements with original maturity of more than three months and earn profit at an average rate of return of 3% (2018: Nil) per annum.

9 SHARE CAPITAL

	Number of shares		*Authorised, issued and fully paid*	
	2019	*2018*	***2019 KD***	*2018 KD*
Shares of 100 fils each (paid in cash)	**150,000,000**	150,000,000	**15,000,000**	15,000,000

10 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

No transfers were made to statutory reserve since previously incurred losses have not yet been fully recovered.

11 ACCOUNTS PAYABLES AND ACCRUALS

	2019 KD	*2018 KD*
Accrued staff benefits	**33,230**	9,614
Dividends payable to the shareholders	**47,000**	334,595
Payables to a related party (Note 12)	**24,167**	24,995
Other payables and accruals	**126,017**	120,841
	230,414	490,045

12 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	2019 *KD*	*2018* *KD*
Consolidated statement of financial position		
Receivables from a related party (Note 7)	**331,932**	341,522
Payables to a related party (Note 11)	**24,167**	24,995

Unquoted foreign equity securities amounting to KD 395,000 (2018: KD 418,150) are managed by a related party on behalf of the Group (Note 5).

Transactions with key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows.

	2019 *KD*	*2018* *KD*
Salaries and other short-term benefits	**62,706**	60,855
Terminal benefits	**4,230**	3,660
	66,936	64,515

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at 30 September 2019, the Group has not recorded any allowance for expected credit losses relating to amounts owed by related parties (30 September 2018: KD Nil). This assessment is undertaken each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

13 FINANCIAL INSTRUMENTS 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 significant changes were made in the risk management objectives, policies or processes during the year ended 30 September 2019 and 30 September 2018.

13.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily tenant receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Collateral and other credit enhancements
The Group does not have any collateral or other credit enhancements against any of the financial assets at 30 September 2019 and 2018.

13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.1 Credit risk (continued)

Maximum exposure to credit risk

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2019 and 2018 is the carrying amounts illustrated below:

	2019 *KD*	*2018* *KD*
Accounts receivables (excluding prepayments)	**342,774**	661,146
Cash and cash equivalents (excluding cash on hand)	**866,525**	883,808
	1,209,299	1,544,954

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Tenant receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a concentration of credit risk with 100% of rental income derived from one customer. The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of tenant receivables from individual customer. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

As at 30 September 2019, tenant receivables of KD 793,159 (2018: KD 475,895) were impaired as this relates to a tenant which is in unexpectedly difficult situation.

Other receivables and amounts due from a related party

As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

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.

13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.1 Credit risk (continued)

Risk concentration of maximum exposure to credit risk (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:

	2019	*2018*
	KD	*KD*
Geographic regions		
Kuwait	**803,504**	789,413
GCC region	**405,795**	755,541
	1,209,299	1,544,954

13.2 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 2019	***On demand*** ***KD***	***3 to 6 months*** ***KD***	***6 to 12 months*** ***KD***	***Total*** ***KD***
Accounts payable and accruals	**71,167**	**46,651**	**112,596**	**230,414**
Lease liabilities	-	**11,625**	**7,750**	**19,375**
Total liabilities	**71,167**	**58,276**	**120,346**	**249,789**

30 September 2018	*On demand* *KD*	*3 to 6 months* *KD*	*6 to 12 months* *KD*	*Total* *KD*
Accounts payable and accruals	359,590	19,551	110,904	490,045
Total liabilities	359,590	19,551	110,904	490,045

13.3 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 interest 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. The Group is not exposed to interest rate risk as it does not hold any interest bearing assets or liabilities.

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.

13.3.1 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.

13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.3 Market risk (continued)

13.3.1 Foreign currency risk (continued)

The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries and foreign associates.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

Exposure to currency risk

The Group incurs foreign currency risk on expenses and certain assets and liabilities that are denominated in a currency other than Kuwaiti Dinar. The currency giving rise to this risk is primarily Saudi Riyal. At the reporting date, the Group's net exposure in foreign currency in Saudi Riyal (SAR) is KD 39,874 (2018: KD 269,846).

Foreign exchange rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables constant.

		Effect on profit or loss	
Currency	***Change in exchange rate***	***2019 KD***	*2018 KD*
SAR	**5%**	**1,994**	13,492

13.3.2 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) (Note 5). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 1,327,029. Sensitivity analyses of these investments have been provided in Note 15.

At the reporting date, the exposure to equity investments at fair value listed on Jordan Stock Exchange ("Amman Stock Exchange") was KD 3,119,836. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the Amman Stock Exchange market index, the Group has determined that an increase/(decrease) of 5% on the Amman Stock Exchange market index could have an impact of approximately KD 115,434 increase/(decrease) on other comprehensive income and equity attributable to the Group.

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 economic conditions. To maintain or adjust the capital structure, the Company may review the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2019 and 30 September 2018. Capital represents equity attributable to equity holders of the Parent Company and is measured at KD 16,201,696 as at 30 September 2019 (2018: KD 16,063,263).

15 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.

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 consolidated 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.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The management assessed that the fair values of financial assets and financial liabilities mentioned below approximate their carrying amounts largely due to the short-term maturities of these instruments or reprice immediately based on market movements in interest rates.

- Cash and cash equivalents
- Accounts receivables
- Accounts payable and other accruals

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities
Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments
The Group have equity investments that are not quoted in an active market. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by using an average of the quoted prices of the comparable companies to earnings measures or net asset value (NAV). The trading multiple is then discounted for considerations such as illiquidity, lack of control and size differences between the peers based on company-specific facts and circumstances and discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. In NAV approach, assets of the investee are fair valued and then discounted for specific factors of the investee. The Group classifies the fair value of these investments as Level 3.

15 FAIR VALUE MEASUREMENT (continued)

Valuation methods and assumptions (continued)

Unlisted managed funds
The Group invests in managed funds which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these investee funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the investee fund and fund manager. The Group classifies these funds as Level 3.

Investment property
The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 *'Fair Value Measurement'* and fair value is determined using the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment property is included within Level 3.

15.1 Financial instruments

The following tables provide the fair value measurement hierarchy of the Group's financial assets:

	Fair value measurement using		
2019	***Quoted prices in active markets Level 1 KD***	***Significant unobservable inputs Level 3 KD***	***Total KD***
Financial assets at FVOCI			
Quoted equity securities	**3,119,836**	**-**	**3,119,836**
Unquoted equity securities	**-**	**1,327,029**	**1,327,029**
	3,119,836	**1,327,029**	**4,446,865**
Financial assets at FVTPL			
Managed funds	**-**	**7,280**	**7,280**
Investment securities (at fair value)	**3,119,836**	**1,334,309**	**4,454,145**
2018			
Financial assets at FVOCI			
Quoted equity securities	3,684,626	-	3,684,626
Unquoted equity securities	-	1,186,127	1,186,127
	3,684,626	1,186,127	4,870,753
Financial assets at FVTPL			
Managed funds	-	18,078	18,078
Investment securities (at fair value)	3,684,626	1,204,205	4,888,831

There were no transfers between any levels of the fair value hierarchy during 2019 or 2018.

15 FAIR VALUE MEASUREMENT (continued)

15.1 Financial instruments (continued)

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

30 September 2019	*Financial assets at FVOCI KD*	*Financial assets at FVTPL KD*	*Total KD*
As at 1 October 2018	1,186,127	18,078	1,204,205
Remeasurement recognised in OCI	140,902	-	140,902
Remeasurement recognised in profit or loss	-	(10,798)	(10,798)
As at 30 September 2019	**1,327,029**	**7,280**	**1,334,309**

30 September 2018	*Financial assets at FVOCI KD*	*Financial assets at FVTPL KD*	*Total KD*
As at 1 October 2017	-	26,758	26,758
IFRS 9 transition adjustment	1,186,127	-	1,186,127
Disposal	-	(8,680)	(8,680)
As at 30 September 2018	1,186,127	18,078	1,204,205

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 September are as shown below:

Significant unobservable valuation inputs	**Range**	**Sensitivity of the input to fair value**
Discount for lack of marketability (DLOM)	5% - 20% (2018: 5% - 20%)	10% (2018: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 156,004 (2018: KD 191,994)

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

15.2 Non-financial assets

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

		Fair value measurement using		
2019	***Total KD***	***Quoted prices in active markets (Level 1) KD***	***Significant observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***
Investment property	**5,521,314**	-	-	**5,521,314**
2018				
Investment property	5,471,373	-	-	5,471,373

There were no transfers between any levels of the fair value hierarchy during 2019 or 2018.

15 FAIR VALUE MEASUREMENT (continued)

15.2 Non-financial assets (continued)

Reconciliation of Level 3 fair values

Reconciliation for recurring fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy is disclosed in Note 4.

Significant unobservable valuation inputs	Range
Price per square meter	KD 99 to KD 142 (2018: KD 105 to KD 127)

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

16 DISTRIBUTIONS MADE AND PROPOSED

	2019	*2018*
	KD	*KD*
Cash dividends on ordinary shares declared:		
Final dividend for 2018: Nil (2017: 5 fils per share)	-	750,000