



الشركة الأولى للتعليم
First Education Company



ANNUAL REPORT
2014







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

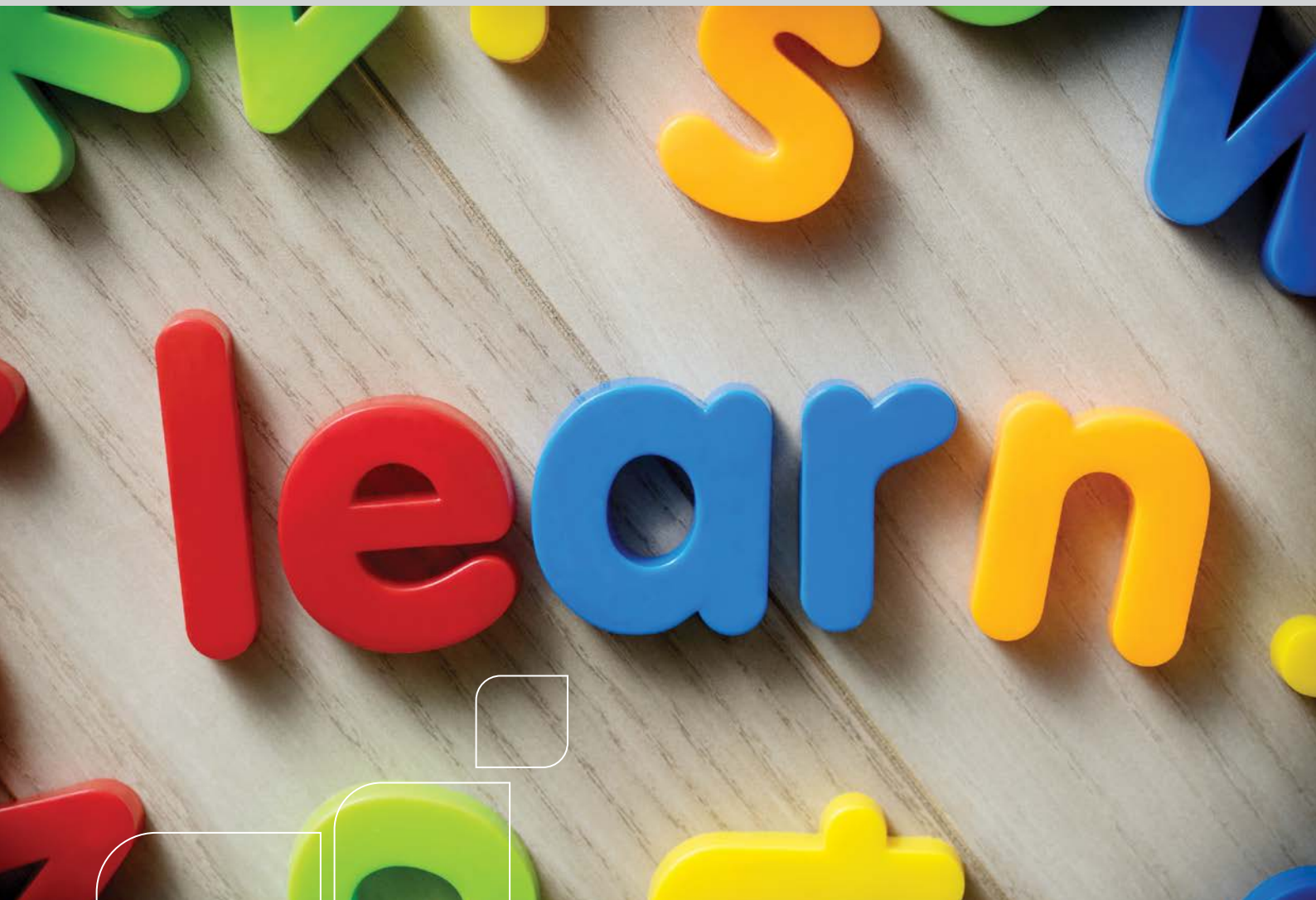


His Highness
**Sheikh Nawaf Al-Ahmad
Al-Jaber Al-Sabah**
Crown Prince



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BOARD MEMBERS

Tariq A. Al-Adsani
Chairman

Omar S. Al-Mutawa
Vice Chairman

Nasser S. Al-Saleh
Board member

Hamid A. Al-Wazzan
Board member

Jayantha Premasekera
Board member

Mousaed A. Al-Kadi
Board member

Reem M. Badran
Board member

Board of Directors' Report to the Shareholders

Dear Shareholders,

May peace and Allah's mercy and blessings be upon you.

I have the pleasure, on behalf of the Board of Directors to welcome you to the eighth annual meeting of the Ordinary General Assembly of your esteemed company to present to you the BOD's report on the results of the company's business and activities as on 30/09/2014 as well as its future orientations.

Since its establishment, First Education Company aims to invest in promising educational sectors as well as forming strategic partnerships that aim at creating successful educational units which offer society a distinctive and advanced education that keeps pace with global developments and contributes to foster a generation of qualified educated persons with positive contributions to the local community.

Year 2014 witnessed several developments in the company's investments. In Kuwait, Al Resala Bilingual School (RBS), owned by Al Kalemah Al Tayebah Company, maintained its annual growth for the number of students by a percentage of 16% reaching 1284 students. Also, Al Nibras Model School, owned by the Integrated Curricula Company, maintained its annual growth for the number of students at a percentage of 20% reaching 687 students. The construction works of Kuwait University for Science and Technology campus are about to be completed. In June 2015, the university expects to receive the final approval from the Private Universities' Council in order to start school in September 2015.

In Riyadh, Saudi Arabia, the company made an exit from the educational plots at Al Yasmin Area with a capital gains of approximately 100%. The liquidity resulting from the exit was invested in acquiring a stake of 64.3% of Al Nafal Educational Complex, currently rented to Al-Imam Muhammad Ibn Saud University, ladies section, which achieves a return of about 10% per annum. In the Kingdom of Bahrain, the Kingdom University has witnessed significant developments in the quality assurance file. Currently the university prepares to establish an additional building for the university with the purpose to expand the current campus in order to accommodate the new students in the next stage. In the Hashemite Kingdom of Jordan, Petra University, owned by Petra Educational Company, witnessed a growth in the number of students by 10% reaching 7298 students, and declared a cash dividend of 25% of the capital for the preceding fiscal year and such return is expected to increase in the future.



In the United Arab Emirates, in September 2014, the company in cooperation with a strategic operator of educational services, opened Curious Minds Nursery in Dubai which we hope will be a beginning of a chain of nurseries in the Gulf states.

As regards the future projects, the company is working jointly with a strategic partner in the educational services in Saudi Arabia with the aim of expanding the educational activity through the acquisition of existing educational opportunities and developing the same to achieve the best returns thereof. Also, the company is looking forward to increase its investments in the Hashemite Kingdom of Jordan through investment in the school sector.

The company achieved revenues for the period ended on September 2014 of KD 1,688,002 by an increase of 82% compared to the previous fiscal year. This great increase is attributable to the sale of the educational plots in Riyadh. Moreover, the company's expenses increased by 55% amounting to KD 585,351 as a result of the establishment expenses of Curious Minds Nursery in Dubai. At the end of the period, the company achieved net profits of KD 1,083,185 or an increase of 102%.

Furthermore, during the year ended in September 30, 2014, the company, due to the great efforts exerted in the recent years, managed to amortize a large portion of the accumulated losses, reaching an amount of KD 233,955. Board of Directors raised a recommendation to the General Assembly not to distribute cash dividends and to pay a director fee of KD 1,500 to each board member in recognition of their efforts over the past period.

Finally, on behalf of myself and on behalf of all members of the Board of Directors, we would like to extend our thanks and appreciation to all members of the company at all levels for their sincere efforts exerted in achieving our accomplishments, thanks to Allah Almighty. Also, we hope to all esteemed shareholders continuous prosperity and success, Allah willing.



Tariq Abdul Wahab Al-Adsani

Chairman

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

CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2014

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

Report on the Consolidated Financial Statements

We have audited the accompanying 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 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST EDUCATION COMPANY K.S.C. (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 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 25 of 2012, as amended and its executive regulation, 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 25 of 2012, as amended and its executive regulation, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 30 September 2014 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.



WALEED A. AL OSAIMI

LICENCE NO. 68 A

EY

AL AIBAN, AL OSAIMI & PARTNERS

22 February 2015
Kuwait

FIRST EDUCATION COMPANY

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

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2014

		2014	<i>(21 months) 30 September 2013</i>
	<i>Notes</i>	<i>KD</i>	<i>KD</i>
INCOME			
Net investment income	5	411,657	499,523
Gain on sale of properties under development	7	927,796	-
Gain on bargain purchase	4	303,247	-
Write back of impairment for credit losses	6	-	390,000
Other income		45,302	39,210
		1,688,002	928,733
EXPENSES			
Impairment of other receivables	12	(66,899)	(45,975)
Staff costs		(167,756)	(157,212)
Depreciation		(15,659)	(25,391)
Administrative expenses		(335,037)	(149,444)
		(585,351)	(378,022)
PROFIT BEFORE ZAKAT AND DIRECTORS' REMUNERATION		1,102,651	550,711
Zakat		(8,966)	(9,596)
Directors' remuneration	16	(10,500)	(7,000)
PROFIT FOR THE year/ PERIOD		1,083,185	534,115
Attributable to:			
Equity holders of the Parent Company		1,083,185	534,115
Non-controlling interests		-	-

The attached notes 1 to 19 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2014

	2014	<i>(21 months)</i> <i>30 September</i> <i>2013</i>
	KD	KD
Profit for the year/ period	1,083,185	534,115
Other comprehensive income		
<i>Other comprehensive income to be reclassified to consolidated income statement in subsequent periods :</i>		
Change in fair value of financial assets available for sale	(561,968)	608,857
Exchange differences on translation of foreign operations	87,319	26,268
Total other comprehensive (loss) income for the year/period	(474,649)	635,125
TOTAL COMPERHENSIVE INCOME FOR THE YEAR/ PERIOD	608,536	1,169,240

The attached notes 1 to 19 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 2014

	Notes	2014 KD	2013 KD
ASSETS			
Non-current assets			
Furniture and equipment		116,667	23,869
Properties under development	7	-	908,668
Investment Property	8	6,052,030	-
Financial assets available for sale	9	4,197,386	4,759,354
Investment in associates	10	5,536,439	5,376,897
		15,902,522	11,068,788
Current assets			
Financial assets at fair value through profit or loss	11	81,487	1,595,119
Other assets	12	911,717	125,163
Bank balances and cash		4,174,723	2,850,335
		5,167,927	4,570,617
TOTAL ASSETS		21,070,449	15,639,405
EQUITY AND LIABILITIES			
Equity			
Share capital	13	15,000,000	15,000,000
Statutory reserve	14	222,342	222,342
Cumulative changes in fair value reserve		903,489	1,465,457
Foreign currency translation reserve		217,615	130,296
Accumulated losses		(233,955)	(1,317,140)
Equity attributable to the equity holders of the Parent Company		16,109,491	15,500,955
Non-controlling interests	4	2,369,580	-
Total equity		18,479,071	15,500,955
Non-current liability			
Employees' end of service benefits		11,067	6,601
Current liability			
Other payables and accruals	15	2,580,311	131,849
Total liabilities		2,591,378	138,450
TOTAL EQUITY AND LIABILITIES		21,070,449	15,639,405



Tareq A. Al-Adsani
Chairman

The attached notes 1 to 19 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 2014

	<i>Attributable to the equity holders of the parent</i>							
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Cumulative changes in fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated losses</i>	<i>Sub Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 October 2013	15,000,000	222,342	1,465,457	130,296	(1,317,140)	15,500,955	-	15,500,955
Profit for the year	-	-	-	-	1,083,185	1,083,185	-	1,083,185
Other comprehensive loss for the year	-	-	(561,968)	87,319	-	(474,649)	-	(474,649)
Total comprehensive (loss) income for the year	-	-	(561,968)	87,319	1,083,185	608,536	-	608,536
Acquisition of a subsidiary (Note 4)	-	-	-	-	-	-	2,369,580	2,369,580
At 30 September 2014	15,000,000	222,342	903,489	217,615	(233,955)	16,109,491	2,369,580	18,479,071
As at 1 January 2012	15,000,000	222,342	856,600	104,028	(1,851,255)	14,331,715	-	14,331,715
Profit for the period	-	-	-	-	534,115	534,115	-	534,115
Other comprehensive income for the period	-	-	608,857	26,268	-	635,125	-	635,125
Total comprehensive income for the period	-	-	608,857	26,268	534,115	1,169,240	-	1,169,240
At 30 September 2013	15,000,000	222,342	1,465,457	130,296	(1,317,140)	15,500,955	-	15,500,955

The attached notes 1 to 19 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 2014

		2014	<i>(21 months)</i> <i>30 September</i>
	<i>Notes</i>	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
Profit for the year/period		1,083,185	534,115
Non-cash adjustments to reconcile Profit for the year/period to net cash flows:			
Provision for employees' end of service benefits		4,466	5,245
Realised gain on sale of financial assets at fair value through profit or loss	5	(105,362)	(4,224)
Unrealised loss (gain) on financial assets at fair value through profit or loss	5	23,618	(27,532)
Share of results of associates	5	(182,777)	(142,545)
Dividends income	5	(147,136)	(325,222)
Write back of provision for credit losses		-	(390,000)
Gain on sale of properties under development		(927,796)	-
Impairment of other receivables	11	66,899	45,975
Gain on bargain purchase	4	(303,247)	-
Depreciation		15,659	25,391
		(472,491)	(278,797)
Working capital adjustments:			
Other assets		(853,453)	2,279,901
Financial assets at fair value through profit or loss		1,618,994	141,988
Other payables and accruals		770,462	21,641
		1,063,512	2,164,733
Cash flows from operating activities		-	(5,235)
Employee's end of service benefits paid			
		1,063,512	2,159,498
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	4	(1,845,594)	-
Dividends income received		147,136	325,222
Purchase of furniture and equipment		(108,457)	(8,845)
Purchase of financial assets available for sale		-	(332,000)
Proceeds from sale of properties under development		1,836,464	-
Proceeds from sale of financial assets available for sale		-	247,500
Dividends received from associates	10	144,008	180,000
		173,557	411,877
Net cash flows from investing activities			
		87,319	32,912
Net foreign exchange difference			
NET INCREASE IN BANK BALANCE AND CASH		1,324,388	2,604,287
Bank balances and cash at the beginning of the year/ period		2,850,335	246,048
BANK BALANCES AND CASH AT THE END OF THE YEAR/ PERIOD		4,174,723	2,850,335

The attached notes 1 to 19 form part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2014

1 CORPORATE INFORMATION

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

The principal activities of the Group comprise the following:

- Constructing and managing local and private universities, schools, institutes and training centres.
- Constructing and managing other activities related to the education process (students accommodations, restaurants, libraries, etc.).
- Investing excess resources in investment portfolios that are managed by specialised companies inside or outside Kuwait.

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

The consolidated financial statements of First Education Company K.S.C. (Closed) for the year ended 30 September 2014 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 22 February 2015. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

The consolidated financial statements of the prior year covers a period of 21 months (from 1 January 2012 to 30 September 2013) as the fiscal year of the Parent Company was changed from 31 December to 30 September to match with the academic study year. The change in the fiscal year of the Parent Company was approved by the Shareholders' General Assembly meeting held on 28 June 2012.

The New Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the Executive Regulations, the companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

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

Basis of preparation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 30 September 2014.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- 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.

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

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Equity interest %</i>	
			<i>2014</i>	<i>2013</i>
Saudi Kuwaiti Education & Training Company Limited	Saudi Arabia	Educational services	100%	100%
Al Maali Real Estate Company W.L.L*	Saudi Arabia	Educational services	64.3%	-
FEC Holding Limited**	United Arab Emirates	Educational services	100%	-
FEC Edification Holding Limited***	United Arab Emirates	Educational services	100%	-

*During the year the Parent Company acquired a direct interest of 64.3% in Al Maali Real Estate Company W.L.L located in Saudi Arabia.(Note 4)

**During the year the Parent Company has established a new subsidiary FEC Holding Limited LLC with ownership percentage of 100% in United Arab Emirates with a capital of KD 766 representing 100 units.

*** During the year , FEC Holding limited (Subsidiary of the Parent Company) has established a new subsidiary FEC Edification Holding Limited LLC with ownership percentage of 100% in United Arab Emirates with a capital of KD 766 representing 100 units.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's consolidated financial position or performance.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard did not have any material impact on the Parent's consolidated financial statements or performance.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The adoption of this impact did not have any material impact on the Parent's consolidated financial statements or performance.

IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 September 2014. These amendments are not expected to be relevant to the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB standards and interpretations relevant to the Parent Company have been issued but are not yet mandatory, and have yet not been adopted by the Parent Company:

IFRS 9: Financial Instruments

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard is not expected to have a significant impact on the classification and measurement of financial assets and liabilities.

IFRS 15 – Revenue from Contracts with customers ("IFRS 15")

IFRS 15 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Parent Company is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized 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 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.

Dividends income

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

Rental income

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

Zakat

Zakat is calculated at 1% of the profit of the Parent Company in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on foreign subsidiary

Taxation on foreign subsidiary 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 subsidiary operates.

Foreign currency translation

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

Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. 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 operations and translated at closing rate.

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group companies

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

Investment property

Investment property is measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in income statement in the period in which they arise.

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

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

Properties under development

Properties under development are stated at cost less any impairment. The carrying values of properties under development are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Such properties will be reclassified, after completion of construction and development, as owner occupied properties.

Impairment of non-financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

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

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

Goodwill

Goodwill is tested for impairment annually as at 30 September 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 CGU's) 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.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and subsequent measurement

Financial assets within the scope of IAS 39 are classified as Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and Financial assets available for sale. The Group determines the classification of its financial assets at initial recognition.

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

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

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

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Financial assets available for sale

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

First Education Company K.S.C. (Closed) and its Subsidiaries**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments – initial recognition and subsequent measurement (continued)****(i) Financial assets (continued)*****Financial assets available for sale(continued)***

For a financial asset reclassified from the available for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

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

Derecognition

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

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

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

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

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets

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

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

Loans and receivables

Loans and advances are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated income statement.

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of Financial assets available for sale is impaired.

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

(iii) Financial liabilities

Initial recognition and subsequent measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Financial liabilities (continued)

Initial recognition and subsequent measurement (continued)

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

The Group's financial liabilities include accounts payable.

Subsequent measurement

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

Other payables

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19.

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investments in its associates are accounted for using the equity method.

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Group provides end of service benefits to 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 completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries.

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.

Contingencies

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Classification of investments

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

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

All other financial assets are classified as available for sale.

First Education Company K.S.C. (Closed) and its Subsidiaries
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At 30 September 2014

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Classification of real estate

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

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

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

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Estimation uncertainty and assumptions

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

Impairment of investment in associates

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

Impairment of investments available for sale

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

Valuation of unquoted investments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2014

4 BUSINESS COMBINATION

In September 2014, The Group acquired 64.3% in Al Maali Real Estate Investment Company W.L.L., a Saudi Limited Liability Company. The Company mainly deals in establishment and managing of educational real estate buildings.

The consideration paid and the fair values of the assets acquired and liabilities assumed recognised at the acquisition date, are summarised as follows:

	<i>KD</i>
Non-Current Assets	
Investment property	6,052,030
Current Assets	
Other assets	701,466
Bank balances and cash	6
	701,472
TOTAL ASSETS	6,753,502
Liabilities	
Other payables and accruals	116,022
Total identifiable net assets acquired at fair value	6,637,480
Total non-controlling interest	2,369,580
Holdings acquired 64.3%	4,267,900
Purchase consideration transferred:	
In cash	1,845,600
Payable	2,119,053
	3,964,653
Gain on bargain purchase	(303,247)
Cash paid	1,845,600
Less: net cash acquired with the subsidiary	(6)
Net cash outflow	(1,845,594)

First Education Company K.S.C. (Closed) and its Subsidiaries
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5 NET INVESTMENT INCOME

	2014	(21 months) 30 September 2013
	KD	KD
Realised gain on sale of financial assets at fair value through profit or loss	105,362	4,224
Unrealised (loss) gain on financial assets at fair value through profit or loss	(23,618)	27,532
Share of results of associates	182,777	142,545
Dividends income	147,136	325,222
	411,657	499,523

6 WRITE BACK OF PROVISION FOR CREDIT LOSSES

During the prior period, the Parent Company recovered an amount of KD 390,000 as a result of a final settlement agreement with International Leasing and Investment Company which give the company the right to recover 15% from the original Wakala receivable due, which was impaired in previous years.

7 PROPERTIES UNDER DEVELOPMENT

During the current year one of the Group's subsidiary, Saudi Kuwaiti Education & Training Company Limited has sold a property under development with a carrying value of KD 908,668 with total proceeds of KD 1,836,464, realizing a profit of KD 927,796

8 INVESTMENT PROPERTY

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

As at 30 September 2014, the fair value of investment property is KD 6,052,030 (2013: Nil). The fair value has been determined by reference to independent third party valuation. The valuations have been provided by professionally qualified valuers using acceptable methods of calculation which are deemed appropriate considering the nature and usage of the property.

This investment property is considered level 2 for the fair value hierarchy and there was no transfers between the levels during the year.

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

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At 30 September 2014

9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2014 KD	2013 KD
<i>Local:</i>		
Unquoted shares	682,000	682,000
<i>Foreign:</i>		
Quoted shares	2,776,274	3,338,242
Unquoted shares	739,112	739,112
	4,197,386	4,759,354

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

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

Unquoted foreign equity securities amounting to KD 435,362 (2013: KD 435,362) are managed by a related party.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in (Note 19).

10 INVESTMENT IN ASSOCIATES

Details of Group's associates are as follows:

Name of company	Country of incorporation	Principal Activity	% equity interest	
			2014	2013
The Kingdom University B.S.C. (Closed)	Bahrain	Educational services	45.00%	45.00%
Integrated Curriculum for Education Services Company W.L.L.	Kuwait	Educational services	32.71%	32.71%
Kalema Tayeba Educational Company K.S.C. (Closed) ("KTEC")	Kuwait	Educational services	20%	20%

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At 30 September 2014

10 INVESTMENT IN ASSOCIATES (continued)

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

	2014 KD	2013 KD
At the beginning of the year /period	5,376,897	5,411,929
Share of results	182,777	142,545
Dividends received	(144,008)	(180,000)
Foreign currency translation adjustment	120,774	2,423
At the end of the year /period	5,536,440	5,376,897

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

	2014 KD	2013 KD
Share of associate's statement of financial position:		
Current assets	1,609,175	878,324
Non-current assets	3,968,775	4,697,267
Current liabilities	(808,080)	(447,200)
Non-current liabilities	(128,885)	(646,949)
Equity	4,640,985	4,481,443
Goodwill arising on acquisition of associate	895,454	895,454
Carrying value of the investment	5,536,439	5,376,897
Share of associate's revenue and results:		
Revenue	2,264,003	2,429,743
Results - profit for the year/ period	182,777	142,545

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 KD	2013 KD
<i>Financial assets held for trading:</i>		
Managed funds	81,487	1,595,119

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in (Note 19).

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12 OTHER ASSETS

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Prepayments	13,260	660
Accrued Rent	624,125	-
Amounts due from related parties (Note 16)	105,960	5,339
Other receivable*	168,372	119,164
	911,717	125,163

*As at 30 September 2014 other receivables with amount of KD 112,874 (2013: KD 45,975) were impaired and fully provided for.

And the following summarizes the movement in provision:

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Beginning of the year/ period	45,975	390,000
Charged during the year/period	66,899	45,975
Reversed during the year/period	-	(390,000)
	112,874	45,975

13 SHARE CAPITAL

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Authorised, issued and fully paid up in cash 150,000,000 shares of 100 fils each	15,000,000	15,000,000

14 STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Directors' remuneration has to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. In the current period, no transfer has been made to statutory reserve since previously incurred losses have not yet been fully recovered.

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

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15 OTHER PAYABLES AND ACCRUALS

	2014 KD	2013 KD
Staff Payables	49,563	6,680
Payables on acquisition of subsidiary (Note 4)	2,119,053	-
Other Payables and accruals	411,695	125,169
	2,580,311	131,849

16 RELATED PARTY TRANSACTIONS

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

Transactions with related parties during the year are as follows:

	2014	2013
	<i>Other related parties</i>	Total
	KD	KD
Consolidated statement of financial position		
30 September 2014		
Due from related parties (Note 12)	105,960	5,339

Compensation of key management personnel:

	2014 KD	<i>(21 months)</i> <i>30 September</i> <i>2013</i> KD
Salaries and other short term benefits	61,196	93,139
Terminal benefits	3,448	1,371
Directors' remuneration	10,500	7,000
	75,144	101,510

Directors' remuneration of KD 10,500 (2013: KD 7,000) is subject to approval by the Annual General Assembly of the shareholders of the Parent Company.

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17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the year/ period ended 30 September 2014 and 30 September 2013. The Parent Company's management reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

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

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

Maximum exposure to credit risk

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

	2014 KD	2013 KD
Other assets	911,717	125,163
Bank balances	4,174,723	2,850,335
	5,086,440	2,975,498

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

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17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Analysis of financial liabilities by remaining contractual maturities

The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profiles of the financial liabilities at the yearend are based on contractual undiscounted repayment arrangement or on management's estimate of planned exit dates.

2014	On demand	3 to 6	6 to 12	1 to 5	
	KD	months	Months	years	Total
		KD	KD	KD	KD
LIABILITIES					
Payable on acquisition of subsidiary	-	2,119,053	-	-	2,119,053
Other payable and accruals	8,966	307,793	144,499	-	461,258
TOTAL LIABILITIES	8,966	2,426,846	144,499	-	2,580,311
2013		3 to 6	6 to 12	1 to 5	
	On demand	months	Months	years	Total
	KD	KD		KD	KD
LIABILITIES					
Other payable and accruals	9,596	-	122,253	-	131,849
TOTAL LIABILITIES	9,596	-	122,253	-	131,849

Market risk

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

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.

Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group is not exposed to profit rate risk as all Islamic financial assets and liabilities don't carry profit rate.

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.

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17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

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

	2014 KD	2013 KD
SAR Saudi Riyal	2,489,556	346,135
UAE Dirhams	142,968	-

The table below analyses the effect on loss for the year and other comprehensive income of +/- 5% in currency rate against the Kuwaiti Dinars from levels applicable at the year end, with all other variables held constant. The amount reflects the possible positive or negative impact.

Currency	2014		2013	
	Effect on profit for the year KD	Effect on other comprehensive income KD	Effect on profit for the period KD	Effect on other comprehensive income KD
SAR Saudi Riyal	149,433	7,012	(5,649)	4,366
UAE Dirhams	(6,190)	(120)	-	-

Equity price risk

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

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17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

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

Market indices	<i>Effect on equity and other comprehensive income</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Jordan	138,814	166,912

18 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes during the year/period ended 30 September 2014 and 30 September 2013. Capital represents total equity and is measured at KD 16,109,491 as at 30 September 2014 (30 September 2013: KD 15,500,955).

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

The fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts except for unquoted financial assets available for sale which are carried at cost less impairment amounting to KD 1,421,112 (2013: KD 1,421,112).

Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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Assets measured at fair value

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
2014	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at fair value through profit or loss	-	-	81,487	81,487
Financial assets available for sale	2,776,274	-	-	2,776,274

2013

Financial assets at fair value through profit or loss	-	-	1,595,119	1,595,119
Financial assets available for sale	3,338,242	-	-	3,338,242

During the reporting year/ period ended 30 September 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

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

	<i>At 1 January</i>	<i>Gain recorded in</i>	<i>Net purchases,</i>	<i>At</i>
	<i>2014</i>	<i>the consolidated</i>	<i>sales, transfers</i>	<i>30 September</i>
	<i>KD</i>	<i>statement</i>	<i>and settlements</i>	<i>2014</i>
		<i>of income</i>		<i>KD</i>
		<i>KD</i>	<i>KD</i>	
Financial assets at fair value through profit or loss	1,595,119	81,744	(1,595,376)	81,487

	<i>At 1 January</i>	<i>Gain recorded in</i>	<i>Net purchases,</i>	<i>At</i>
	<i>2012</i>	<i>the consolidated</i>	<i>sales, transfers</i>	<i>30</i>
	<i>KD</i>	<i>statement</i>	<i>and settlements</i>	<i>September</i>
		<i>of income</i>		<i>2013</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at fair value through profit or loss	1,705,351	31,756	(141,988)	1,595,119

