

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



**Consolidated Financial Statements and  
Independent Auditor's Report for the year ended**

**31 December 2022**

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

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Humansoft Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, 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 Ethics Standards Board for Accountants' *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.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matter:

##### *Impairment of university and college licenses*

As disclosed in note 10 of the consolidated financial statements, the Group has university and college licenses of KD 6,752,000 (2021: KD 6,752,000) which are allocated to a cash generating unit (CGU). These licenses have indefinite useful lives and are required to be assessed for impairment regardless of whether or not impairment indicators are present. Impairment of university and college licenses was considered to be a key audit matter due to its significance to the Group's business, and due to the estimation uncertainty and judgment involved in estimating the future results of the CGU and the selection of discount rates to discount future cash flows for the assessment of the value-in-use method of the CGU.



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

### **Report on the Audit of the Consolidated Financial Statements (Continued)**

#### **Key Audit Matters (Continued)**

As part of our audit procedures, we evaluated the design and implementation of management's control process over the impairment assessment. For the impairment assessment of university and college licenses, we obtained the Group management's impairment calculations and assessed key assumptions including the cash flow projections, discount rates and terminal growth rates. We assessed growth rates and discount rates by comparison to third party information. Future cash flow assumptions were also assessed through comparison of current performance with management forecasts. Additionally, we analysed the sensitivities such as the impact on the recoverable value if the growth rate would be decreased, or the discount rate would be increased. We also assessed the adequacy of the Group's disclosures included in note 10 of the consolidated financial statements about those assumptions to which the outcome of the impairment test is more sensitive. The Group's policy on assessing impairment of these items is given in notes 2.12 of the consolidated financial statements.

#### **Other information included in the Parent Company's 2022 Annual Report**

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2022, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

#### **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.



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

### **Report on the Audit of the Consolidated Financial Statements (Continued)**

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended; and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended; or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.



**Talal Y. Al-Muzaini**  
**Licence No. 209A**  
**Deloitte & Touche - Al-Wazzan & Co.**

Kuwait  
21 February 2023

Consolidated Statement of Financial Position as at 31 December 2022

	Notes	Kuwaiti Dinars	
		2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	80,441,222	84,632,720
Trade and other receivables	5	26,330,825	21,647,878
Inventories		4,633	5,119
Investment in associates	7	6,662	537,747
		<u>106,783,342</u>	<u>106,823,464</u>
<b>Non-current assets</b>			
Right-of-use assets	8	705,326	820,147
Property and equipment	9	41,222,966	43,985,962
Intangible assets	10	6,909,637	6,942,766
		<u>48,837,929</u>	<u>51,748,875</u>
<b>Total assets</b>		<u>155,621,271</u>	<u>158,572,339</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		581,738	738,921
Accruals and other liabilities	11	5,392,538	5,910,424
Lease liabilities	12	200,971	207,332
Deferred income	13	7,163,276	9,369,142
Retentions payable		172,469	282,076
Current portion of long-term debts	14	2,321,723	2,400,000
		<u>15,832,715</u>	<u>18,907,895</u>
<b>Non-current liabilities</b>			
Lease liabilities	12	537,274	636,933
Long-term debts	14	-	2,321,723
Provision for staff indemnity		5,507,146	4,875,317
		<u>6,044,420</u>	<u>7,833,973</u>
<b>Total liabilities</b>		<u>21,877,135</u>	<u>26,741,868</u>
<b>Equity</b>			
Share capital	15	12,223,680	12,223,680
Share premium		1,512,000	1,512,000
Statutory reserve	16	9,894,240	9,894,240
Voluntary reserve	17	6,112,840	6,112,840
Treasury shares	18	(288,877)	(288,877)
Treasury shares reserve	18	564,013	564,013
Retained earnings		103,717,264	101,709,919
Foreign currency translation reserve		8,976	102,656
<b>Total equity</b>		<u>133,744,136</u>	<u>131,830,471</u>
<b>Total liabilities and equity</b>		<u>155,621,271</u>	<u>158,572,339</u>

Ms. Dalal Hasan Al-Sabti  
Chairperson

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss - year ended 31 December 2022

	Notes	Kuwaiti Dinars	
		2022	2021
Revenue		84,318,824	95,879,141
Cost of operations	19	(15,085,793)	(14,602,599)
Gross profit		69,233,031	81,276,542
General and administrative expenses	20	(14,780,934)	(14,178,244)
Selling expenses	21	(2,695,194)	(2,191,095)
Finance charges		(180,471)	(276,773)
Share of loss of associates	7	(1,699)	(9,755)
Other income		1,782,811	1,142,486
<b>Profit before contribution to Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration</b>		<b>53,357,544</b>	<b>65,763,161</b>
Contribution to KFAS	22	(538,870)	(663,457)
NLST	23	(1,352,099)	(1,655,358)
Zakat	24	(547,489)	(670,730)
Directors' remuneration	31	(250,000)	(200,000)
<b>Profit for the year</b>		<b>50,669,086</b>	<b>62,573,616</b>
<b>Basic and diluted earnings per share (fils)</b>	25	<b>417</b>	<b>514</b>

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.



	Kuwaiti Dinars	
	2022	2021
<b>Profit for the year</b>	<b>50,669,086</b>	<b>62,573,616</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>		
Foreign currency translation adjustments	(93,680)	(3,604)
<b>Other comprehensive loss for the year</b>	<b>(93,680)</b>	<b>(3,604)</b>
<b>Total comprehensive income for the year</b>	<b>50,575,406</b>	<b>62,570,012</b>

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity - year ended 31 December 2022

	Kuwaiti Dinars								
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Retained earnings	Foreign currency translation reserve	Total
<b>Balance as at 31 December 2020</b>	<b>12,223,680</b>	<b>1,512,000</b>	<b>9,894,240</b>	<b>6,112,840</b>	<b>(288,877)</b>	<b>564,013</b>	<b>87,798,044</b>	<b>106,260</b>	<b>117,922,200</b>
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	62,573,616	(3,604)	62,570,012
Dividend (note 31)	-	-	-	-	-	-	(48,661,741)	-	(48,661,741)
<b>Balance as at 31 December 2021</b>	<b>12,223,680</b>	<b>1,512,000</b>	<b>9,894,240</b>	<b>6,112,840</b>	<b>(288,877)</b>	<b>564,013</b>	<b>101,709,919</b>	<b>102,656</b>	<b>131,830,471</b>
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	50,669,086	(93,680)	50,575,406
Dividend (note 31)	-	-	-	-	-	-	(48,661,741)	-	(48,661,741)
<b>Balance as at 31 December 2022</b>	<b>12,223,680</b>	<b>1,512,000</b>	<b>9,894,240</b>	<b>6,112,840</b>	<b>(288,877)</b>	<b>564,013</b>	<b>103,717,264</b>	<b>8,976</b>	<b>133,744,136</b>

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

**Consolidated Statement of Cash Flows - year ended 31 December 2022**

	Notes	Kuwaiti Dinars	
		2022	2021
<b>OPERATING ACTIVITIES</b>			
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		53,357,544	65,763,161
Adjustments for:			
Depreciation and amortisation	20	3,416,691	4,093,876
Provision for staff indemnity		958,402	1,074,620
Expected credit loss on financial assets	5	94,810	79,411
Gain on disposal of property and equipment	9	(3,501)	(4,490)
Property and equipment and intangible assets written off		24,274	86,152
Finance charges		180,471	276,773
Share of loss of associates	7	1,699	9,755
Interest income		(1,624,874)	(965,025)
Loss from disposal of associate		2,860	-
Discount on lease payments	12	-	(65,282)
Operating cash flows before working capital changes		56,408,376	70,348,951
Changes in:			
Trade and other receivables		(4,959,104)	6,829,130
Inventories		486	271
Trade and other payables		(157,183)	186,127
Accruals and other liabilities		(149,695)	(78,888)
Deferred income		(2,205,866)	(9,117,708)
Retentions payable		(109,607)	21,894
		48,827,407	68,189,777
Payment of staff indemnity		(391,692)	(714,675)
Payment of KFAS		(663,457)	(409,448)
Payment of NLST		(1,655,063)	(1,000,182)
Payment of Zakat		(670,751)	(416,928)
Directors' remuneration paid	31	(250,000)	(200,000)
<b>Net cash from operating activities</b>		45,196,444	65,448,544
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	9	(479,524)	(429,969)
Payments for intangible assets	10	(50,528)	(91,564)
Proceeds from disposal of property and equipment		3,600	4,767
Proceeds from liquidation of investments in associates		513,049	-
Margin deposits and restricted deposits	4	(217,170)	(63,029)
Investment in term deposits		21,000,000	(16,500,000)
Interest received		1,813,833	882,632
<b>Net cash from/(used in) investing activities</b>		22,583,260	(16,197,163)
<b>FINANCING ACTIVITIES</b>			
Repayment of long-term debts		(2,400,000)	(6,157,542)
Finance charges paid		(132,041)	(241,409)
Repayment of lease liabilities	12	(156,676)	(91,394)
Dividend paid		(48,411,987)	(48,576,180)
<b>Net cash used in financing activities</b>		(51,100,704)	(55,066,525)
<b>Net increase/(decrease) in cash and cash equivalents</b>		16,679,000	(5,815,144)
Effects of exchange rate changes on cash and cash equivalents		(87,668)	(4,429)
Cash and cash equivalents at beginning of the year		11,029,957	16,849,530
<b>Cash and cash equivalents at end of the year</b>	4	27,621,289	11,029,957

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

## 1. Ownership and activities

Humansoft Holding Company K.S.C.P. (“the Parent Company”) is a Kuwaiti Shareholding Company incorporated on 14 September 1997. The Parent Company and its subsidiaries are together referred to as “the Group”.

The principal activities of the Parent Company are as follows:

1. Owning shares of Kuwaiti shareholding or foreign companies, as well as owning shares or stocks in Kuwaiti or foreign limited liability companies or participating in the establishment of these companies, in their two types, and their management, lending and guarantee for others.
2. Lending companies, in which it owns shares and guaranteeing them with third parties. In this case, the Parent Company's share in the capital of the borrowing company should not be less than the 20%.
3. Owning industrial property rights such as patents, industrial trademarks, or industrial fees or any other related rights and lease them to other companies to exploit them, whether inside or outside Kuwait.
4. Owning movables and properties necessary to carry out its operations within parameters allowed as per law.
5. Exploit surplus funds available with the Parent Company through investing in portfolios managed by specialized companies.

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

These consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 21 February 2023 and are subject to approval of shareholders in the Annual General Assembly.

## 2. Basis of preparation and significant accounting policies

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements have been presented in Kuwaiti Dinars (“KD”).

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 32.

#### 2.2.1 New standards and amendments effective from 1 January 2022

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021

Standard, interpretation, amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p><i>Amendments to IFRS 3, 'Business combinations'</i> update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date</p> <p><i>Amendments to IAS 16, 'Property, plant and equipment'</i> prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p><i>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'- Cost of Fulfilling a Contract</i></p> <p>The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p><i>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</i></p>	Annual periods beginning on or after 1 January 2022.

**2.2.2 Standards and revisions issued but not yet effective**

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p> <p>The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.</p>	Deferred until accounting periods starting not earlier than 1 January 2024

Notes to the Consolidated Financial Statements - 31 December 2022

Standard, interpretation, amendments	Description	Effective date
<p>IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies</p>	<p>The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.</p> <p>The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.</p>	<p>Annual periods beginning on or after 1 January 2023</p>
<p>Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8</p>	<p>The amendments aim to improve accounting policy disclosures and help users of the consolidated financial statements to distinguish between changes in accounting estimates and changes in accounting policies.</p>	<p>Annual periods beginning on or after 1 January 2023</p>
<p>Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction</p>	<p>The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.</p>	<p>Annual periods beginning on or after 1 January 2023.</p>
<p>IFRS 17, ‘Insurance contracts’, as amended in June 2020</p>	<p>This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.</p>	<p>Annual periods beginning on or after 1 January 2023.</p>
<p>A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts</p>	<p>The amendment relates to insurers’ transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p>	<p>Annual periods beginning on or after 1 January 2023.</p>

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

### 2.3 Financial instruments: Recognition/ Derecognition

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

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of profit or loss or in the consolidated statement of profit or loss and other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the Group's obligation specified in the contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability

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

### 2.4 Classification and measurement of financial assets and financial liabilities

Classification of financial assets

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

#### *Business model assessment*

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

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

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

### *Contractual cash flows assessment*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows met the Solely Payments of Principal and Interest ("SPPI").

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

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

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

## **2.4.1 Financial assets**

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

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

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

### ***Amortised cost (AC)***

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

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

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

### ***Fair value through other comprehensive income (FVOCI)***

#### *Debt instruments at FVOCI*

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

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



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

#### *Equity instruments at FVOCI*

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

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

#### **Fair Value Through Profit and Loss (FVTPL)**

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

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

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

#### **Reclassifications**

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

### **2.4.2 Financial liabilities**

Financial liabilities are mainly classified as “Financial liabilities other than at fair value through profit or loss”. This comprises of loan from a local bank, retentions payable, trade payables, lease liabilities and accruals and other liabilities.

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

### **2.5 Impairment of financial assets**

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

#### Stage 1: 12 months ECL

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

**Stage 2: Lifetime ECL – not credit impaired**

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

**Stage 3: Lifetime ECL – credit impaired.**

A financial asset is considered as credit impaired when there is objective evidence that the amount due under the financial asset is uncollectible. The Group considers a financial asset as credit impaired if the amount due under the financial instrument is overdue by more than 90 days except for amount due from Kuwait government, or if it is known that the counter party has any known difficulties in payment. Amounts due from Kuwait government are subject to ECL assessment if the amount is due for more than one year since the Kuwait government is highly rated. The Group provides for 100% impairment for non-government receivables outstanding for more than two academic semesters.

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

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

The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

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

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

**2.6 Business combination**

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of profit or loss. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

## 2.7 Consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and profit or loss. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited consolidated financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full.

If a parent loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests.

Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of profit or loss.

## 2.8 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months, net of bank overdrafts are classified as cash and cash equivalents in the consolidated statement of cash flows.

## 2.9 Investments in associates

Associates are those entities over which the Group has significant influence but not control, generally accompanying a direct or indirect shareholding of more than 20% of the voting rights. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recognised as goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases.

Under the equity method, the Group recognises in the consolidated statement of profit or loss, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

When the Group disposes investment in an associate, the gain or loss on disposal of associate is determined as the difference between the carrying amount of the associate at the date of the disposal and the proceeds from disposal of the associate. The gain or loss on disposal of investment in an associate is recognised in the consolidated statement of profit or loss.

## 2.10 Inventories

Inventories comprise of course materials and are stated at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. Cost comprises the purchase price, import duties, transportation, handling, and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in first out ("FIFO") method. Net realisable value represents the estimated selling price less all estimated selling costs.

## 2.11 Property and equipment

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

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

	<b>Years</b>
Building and leasehold land improvements	20
Computers and peripherals	2-3
Furniture, fixtures and decorations	3-5
Equipment	3-5
Library books	4

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss and are classified as capital work in progress. Cost includes professional fees. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

## 2.12 Intangible assets and goodwill

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

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

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

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

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

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

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

## 2.13 Impairment of investment in associates and property and equipment

At each consolidated statement of financial position date, the Group reviews the carrying amounts of its investment in associates and property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is recognised in the revaluation surplus.

#### **2.14 Leases**

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

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

##### Right-of-use assets

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

##### Lease Liability

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

#### **2.15 Foreign currencies**

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies or the applicable foreign currency. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of profit or loss.

The income and cash flow statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their statement of financial position are translated at exchange rates ruling at the year-end.

Exchange differences arising from the translation of the net investment in foreign operations (including goodwill, long-term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of profit or loss and other comprehensive income.

When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of profit or loss as part of the gain or loss on sale.

#### **2.16 Revenue recognition**

Revenue is recognised over the period on a time proportion basis as and when the performance obligations are satisfied. Fees received/billed in advance are deferred and are taken to the consolidated statement of profit or loss as and when the service are rendered.

Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### **2.17 Post-employment benefits**

The Group provides post-employment benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group also makes contributions to a Government scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

#### **2.18 Treasury shares**

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (gain on sale of treasury shares), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

#### **2.19 Provisions for liabilities**

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

#### **2.20 Contingencies**

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

#### **2.21 Segment reporting**

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

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

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



## Notes to the Consolidated Financial Statements - 31 December 2022

**3. Subsidiaries**

The principal subsidiaries of the Parent Company are:

Subsidiary	Country of incorporation	Direct ownership %		Indirect ownership %		Principal activity
		2022	2021	2022	2021	
Al-Arabia Educational Enterprises Company K.S.C. (Closed) and its subsidiaries	Kuwait	99.85	99.85	0.15	0.15	Establishment and operation of university & college
Track Learning Solutions Co. W.L.L.	Kuwait	1	1	99	99	Computer programming, advertisement publication and distribution and selling and purchasing of shares and bonds for company interest only
Humansoft Free Zone - L.L.C.	U.A.E.	100	100	-	-	Technology, e-commerce & media

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

**4. Cash and bank balances**

	Kuwaiti Dinars	
	2022	2021
Cash on hand	17,478	19,165
Balances with banks	10,423,744	11,613,555
Term deposits with bank	70,000,000	73,000,000
Cash and bank balances	80,441,222	84,632,720
Less: Margin deposits with banks whose original maturity period exceeds three months from the date of acquisition, included above	(2,120)	(34,689)
Less: Restricted balances	(817,813)	(568,074)
Less: Term deposits with bank whose original maturity period exceeds three months from the date of acquisition, included above	(52,000,000)	(73,000,000)
Cash and cash equivalents in the consolidated statement of cash flows	27,621,289	11,029,957

Term deposits are denominated in Kuwaiti Dinars and are placed with local banks carrying an effective rate of interest of 2.78% (2021: 2.25%) per annum.

As at the consolidated statement of financial position date, the undrawn bank overdraft facilities amounted to KD 9,000,000 (2021: KD 6,000,000).

Balances with banks include margin deposits which are held against letters of guarantee facilities from local commercial banks.

Restricted balance represents cash with a bank restricted for dividend payments to the shareholders and margin money deposits for letter of guarantees issued by the banks.

Balances with banks are held in current accounts with banks incorporated in Kuwait and other GCC countries. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the Central Bank of the respective countries. Accordingly, the management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Group have assessed that the impairment amount is immaterial, and hence have not recorded any loss allowances on these balances.



Notes to the Consolidated Financial Statements - 31 December 2022

The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

	Kuwaiti Dinars	
	2022	2021
KD	80,116,654	83,872,119
UAE Dirham	62,553	548,871
Other currencies	262,015	211,730
	<u>80,441,222</u>	<u>84,632,720</u>

5. Trade and other receivables

	Kuwaiti Dinars	
	2022	2021
Trade receivables	25,001,871	20,604,169
Less: Provision for ECL	(859,368)	(783,619)
	<u>24,142,503</u>	<u>19,820,550</u>
Advance to suppliers	326,026	366,081
Staff receivables	208,265	105,859
Refundable deposits	90,560	83,861
Prepaid expenses and other receivables	1,563,471	1,271,527
	<u>26,330,825</u>	<u>21,647,878</u>

Ageing buckets	31 December 2022			31 December 2021		
	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	KD	%	KD	KD	%	KD
Current	22,972,001	-	-	18,610,950	-	-
< 30 days	-	-	-	-	-	-
31 – 60 days	10,759	0.29	31	34,090	2.75	937
61 – 90 days	11,948	0.13	15	-	-	-
> 90 days	2,007,163	42.81	859,322	1,959,129	39.95	782,682
	<u>25,001,871</u>		<u>859,368</u>	<u>20,604,169</u>		<u>783,619</u>

Trade receivables which are current represents the amount receivable from a government institution in Kuwait. The Group does not hold any collateral over these balances. ECL on receivables from government institutions in Kuwait are provided by the Group only if these are due for more than 365 days. Kuwait sovereign rating is AA- and there is no history of default and therefore ECL on less than 365 days past due are considered as immaterial. As at 31 December 2022 (31 December 2021: nil), there are no balances due from government institution in Kuwait which is due for more than one year.

The average credit period granted to customers is 60 days. No interest is charged on the trade receivables which are overdue.

The Group always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

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

Notes to the Consolidated Financial Statements - 31 December 2022

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

	Kuwaiti Dinars			
	<b>2022</b>			
	<b>Receivables from Government related entities</b>	<b>Receivables from corporates</b>	<b>Receivables from individuals</b>	<b>Total</b>
Balance at beginning of the year	1,672	22,207	759,740	783,619
Net ECL charge	-	7	94,803	94,810
Written off during the year	(1,675)	(13,499)	(3,911)	(19,085)
Foreign currency translation effect	3	21	-	24
Balance at the end of the year	-	8,736	850,632	859,368

  

	Kuwaiti Dinars			
	<b>2021</b>			
	<b>Receivables from Government related entities</b>	<b>Receivables from corporates</b>	<b>Receivables from individuals</b>	<b>Total</b>
Balance at beginning of the year	-	30,668	673,572	704,240
Net ECL charge/(reversal)	1,674	(8,431)	86,168	79,411
Foreign currency translation effect	(2)	(30)	-	(32)
Balance at the end of the year	1,672	22,207	759,740	783,619

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

	Kuwaiti Dinars	
	<b>2022</b>	<b>2021</b>
Kuwaiti Dinars	27,104,770	22,216,670
UAE Dirham	22,529	39,743
Other currencies	62,894	175,084
	<u>27,190,193</u>	<u>22,431,497</u>

The other classes within trade and other receivables are neither past due nor impaired and ECL on these balances are not material.

## 6. Related party transactions

Related parties comprise major shareholders and executive officers of the Group, their families and companies of which they are the principal owners. The Group enters into transactions with related parties on pricing policies and terms approved by the Group's management.

The related party transactions included in these consolidated financial statements are as follows:

	Kuwaiti Dinars	
	<b>2022</b>	<b>2021</b>
<b>Compensation of key management personnel</b>		
Short-term benefits	417,770	566,944
Post-employment benefits	27,893	34,439
	<u>445,663</u>	<u>601,383</u>

**7. Investment in associates**

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

Name of associate	Place of incorporation and operation	Proportion of ownership interest 2022	Proportion of ownership interest 2021	Principal activity
New Horizons Computer Training Company W.L.L.	Qatar	-	40%	Training and Career Development Programs
Al Arabia Training Company W.L.L.	Qatar	40%	40%	English Training

Carrying value of investment in associates is as follows:

	Kuwaiti Dinars	
	2022	2021
New Horizons Computer Training Company W.L.L.	-	209,444
Al Arabia Training Company W.L.L.	6,662	328,303
	<u>6,662</u>	<u>537,747</u>

During the year, New Horizons Computer Training Company W.L.L. was liquidated and as a result, the Group recognized net realized loss of KD 2,860 which is included in 'other income' in the consolidated statement of profit or loss.

Al Arabia Training Company W.L.L. is under liquidation and summarized financial information in respect of Al Arabia Training Company W.L.L. is set out below:

	Kuwaiti Dinars	
	2022	2021
Current assets	18,655	841,733
Total assets	18,655	841,733
Current liabilities	1,999	20,976
Total liabilities	1,999	20,976
Net assets	16,656	820,757
Group's share of net assets	<u>6,662</u>	<u>328,303</u>
Total revenue	-	-
Loss for the year	(4,247)	(7,462)
Group's share of results	<u>(1,699)</u>	<u>(2,985)</u>

**8. Right-of-use assets**

*Group as a Lessee*

The right of use assets represents the lease contract for total of 261,190 Sq. meter of land leased by American University of the Middle East and American College of the Middle East from Kuwait Government.

	Kuwaiti Dinars	
	2022	2021
Balance at the beginning of the year	820,147	934,968
Amortisation expense	(114,821)	(114,821)
Balance at the end of the year	<u>705,326</u>	<u>820,147</u>

Notes to the Consolidated Financial Statements - 31 December 2022

9. Property and Equipment

	Kuwaiti Dinars							Total
	Freehold land	Building and leasehold land improvements	Computers and peripherals	Furniture, fixtures and decoration	Equipment	Library Books	Capital work in progress ("CWIP")	
<b>Cost</b>								
<b>Balance as at 31 December 2020</b>	5,297,030	55,451,807	1,966,259	2,322,664	3,951,299	89,289	1,155,133	70,233,481
Additions	-	-	53,325	42,070	116,738	-	217,836	429,969
Transfers from CWIP	-	481,474	-	-	-	-	(481,474)	-
Disposals	-	-	(72,050)	(155,759)	(31,266)	-	-	(259,075)
Written off	-	-	-	-	-	-	(84,925)	(84,925)
Exchange adjustments	-	-	(16)	(92)	(4)	-	-	(112)
<b>Balance as at 31 December 2021</b>	5,297,030	55,933,281	1,947,518	2,208,883	4,036,767	89,289	806,570	70,319,338
Additions	-	5,200	125,534	52,940	235,244	-	60,606	479,524
Transfers from CWIP	-	803,848	-	-	-	-	(803,848)	-
Disposals	-	-	(90,236)	(115,228)	(67,803)	-	-	(273,267)
Written off	-	-	(55,113)	(37,538)	(27,718)	-	-	(120,369)
Exchange adjustments	-	-	45	191	12	-	-	248
<b>Balance as at 31 December 2022</b>	5,297,030	56,742,329	1,927,748	2,109,248	4,176,502	89,289	63,328	70,405,474
<b>Accumulated depreciation and impairment losses</b>								
<b>Balance as at 31 December 2020</b>	-	15,492,497	1,856,573	2,129,682	3,123,049	89,173	-	22,690,974
Charge for the year	-	3,222,855	73,570	148,209	456,674	-	-	3,901,308
Disposals	-	-	(71,878)	(155,701)	(31,219)	-	-	(258,798)
Exchange adjustments	-	-	(17)	(87)	(4)	-	-	(108)
<b>Balance as at 31 December 2021</b>	-	18,715,352	1,858,248	2,122,103	3,548,500	89,173	-	26,333,376
Charge for the year	-	2,764,346	66,772	63,495	347,810	-	-	3,242,423
Disposals	-	-	(90,236)	(115,141)	(67,791)	-	-	(273,168)
Written off	-	-	(55,113)	(37,522)	(27,718)	-	-	(120,353)
Exchange adjustments	-	-	36	183	11	-	-	230
<b>Balance as at 31 December 2022</b>	-	21,479,698	1,779,707	2,033,118	3,800,812	89,173	-	29,182,508
<b>Carrying amount</b>								
As at 31 December 2022	5,297,030	35,262,631	148,041	76,130	375,690	116	63,328	41,222,966
As at 31 December 2021	5,297,030	37,217,929	89,270	86,780	488,267	116	806,570	43,985,962

Notes to the Consolidated Financial Statements - 31 December 2022

10. Intangible assets

	Kuwaiti Dinars						
	Goodwill	University & college licenses	Computer diploma programs, software, systems and curricular	Franchise	Trade mark, key money, and brand	Capital work in progress ("CWIP")	Total
<b>Cost</b>							
<b>Balance as at 31 December 2020</b>	1,822,452	6,752,000	1,349,399	144,955	131,637	45,843	10,246,286
Additions	-	-	73,099	-	1,500	16,965	91,564
Transfers from CWIP	-	-	-	-	4,944	(4,944)	-
Write off	-	-	-	-	-	(1,227)	(1,227)
Disposals	-	-	-	-	(2,739)	-	(2,739)
Exchange adjustments	-	-	-	-	(35)	-	(35)
<b>Balance as at 31 December 2021</b>	1,822,452	6,752,000	1,422,498	144,955	135,307	56,637	10,333,849
Additions	-	-	11,077	-	811	38,640	50,528
Transfers from CWIP	-	-	12,002	-	5,293	(17,295)	-
Write off	*(1,822,452)	-	(1,785)	(2,295)	(8,669)	(24,258)	(1,859,459)
Disposals	-	-	(176,970)	(51,660)	(807)	-	(229,437)
Exchange adjustments	-	-	1	-	75	1	77
<b>Balance as at 31 December 2022</b>	-	6,752,000	1,266,823	91,000	132,010	53,725	8,295,558
<b>Accumulated amortisation and impairment losses</b>							
<b>Balance as at 31 December 2020</b>	1,822,452	-	1,247,193	144,955	101,479	-	3,316,079
Charge for the year	-	-	71,719	-	6,028	-	77,747
Disposals	-	-	-	-	(2,739)	-	(2,739)
Exchange adjustments	-	-	1	-	(5)	-	(4)
<b>Balance as at 31 December 2021</b>	1,822,452	-	1,318,913	144,955	104,763	-	3,391,083
Charge for the year	-	-	53,084	-	6,363	-	59,447
Write offs	*(1,822,452)	-	(1,785)	(2,295)	(8,669)	-	(1,835,201)
Disposals	-	-	(176,970)	(51,660)	(807)	-	(229,437)
Exchange adjustments	-	-	2	-	27	-	29
<b>Balance as at 31 December 2022</b>	-	-	1,193,244	91,000	101,677	-	1,385,921
<b>Carrying amount</b>							
As at 31 December 2022	-	6,752,000	73,579	-	30,333	53,725	6,909,637
As at 31 December 2021	-	6,752,000	103,585	-	30,544	56,637	6,942,766

\*This represents writing off of previously impaired goodwill and the related accumulated impairment losses from the books of accounts of the parent company. The goodwill was relating to the liquidated subsidiaries of the Parent Company, Excellence Training & Development Company W.L.L and Tawteen Human investment Company P.J.S.C (UAE).

The Group tests for impairment of its intangible assets with indefinite life annually or more frequently if there are indications that they might be impaired.

### University & college licenses

University & college licenses represent intangible assets with indefinite useful lives. These represent the value of the various university & college licenses of Al Arabia Educational Enterprises Company K.S.C. (Closed)(a subsidiary of the Parent Company). Management has determined that these licenses have an indefinite useful life as they have no specified expiry period and the university & college is expected to continue its operations for the foreseeable future.

The recoverable amounts of these licenses are determined based on the value in use method. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenues and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on university and college growth forecasts. Changes in revenues and direct costs are based on projections of future changes in the operations of the entity.

The Group has performed a sensitivity analysis by varying the above input factors by a reasonably possible margin and assessing whether the change in input factors results in the university & college licenses being impaired. These calculations use pre-tax cash flow projections based on financial projections covering a five year period. The recoverable amount so obtained was significantly above the carrying amount of the CGUs.

The key assumptions used in the estimation of value in use were as follows:

	2022	2021
Discount Rate	12.89%	10.88%
Growth Rate	2.5%	2.5%

### 11. Accruals and other liabilities

	Kuwaiti Dinars	
	2022	2021
Staff payables	1,093,769	990,828
Accrued expenses	867,697	1,202,402
Advance from customers / students	79,917	65,789
KFAS, Zakat and NLST	2,438,458	2,989,546
Others	912,697	661,859
	<u>5,392,538</u>	<u>5,910,424</u>

The carrying amounts of the accruals and other liabilities are denominated in the following currencies:

	Kuwaiti Dinars	
	2022	2021
Kuwaiti Dinars	5,388,600	5,910,424
Other currencies	3,938	-
	<u>5,392,538</u>	<u>5,910,424</u>

### 12. Lease liabilities

	Kuwaiti Dinars	
	2022	2021
Balance at the beginning of the year	844,265	944,284
Accretion of interest	50,656	56,657
Discount on lease payments	-	(65,282)
Payments	(156,676)	(91,394)
Balance at the end of the year	<u>738,245</u>	<u>844,265</u>
Current	200,971	207,332
Non-current	537,274	636,933
	<u>738,245</u>	<u>844,265</u>

**13. Deferred income**

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

**14. Long-term debts**

	Kuwaiti Dinars	
	2022	2021
Current portion	2,321,723	2,400,000
Non-current portion	-	2,321,723
	<u>2,321,723</u>	<u>4,721,723</u>

Long-term debt represents term loan from a local bank amounting to KD 2,321,723 (31 December 2021: KD 4,721,723) that is repayable by 15 December 2023.

The above loan of KD 2,321,723 (2021: KD 4,721,723) is guaranteed by a subsidiary of the Parent Company. The above loan carries an effective interest rate of 3.68% (2021: 3%) per annum.

As at the consolidated statement of financial position date, the undrawn long-term debts amounted to KD 1,278,277 (2021: KD 1,278,277).

**15. Share capital**

Share capital comprises of 122,236,800 authorised and issued shares of 100 fils (2021: 122,236,800 shares of 100 fils) each fully paid in cash.

**16. Statutory reserve**

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

**17. Voluntary reserve**

In accordance with the Parent Company's Articles of Association, as amended, 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to voluntary reserve unless the shareholders decide to discontinue the transfer. There are no restrictions on distributions from the voluntary reserve. The Board of Directors have proposed to discontinue transfer to voluntary reserve. This is subject to approval of the shareholders in the Annual General Meeting.

**18. Treasury shares and treasury shares reserve**

	2022	2021
Number of shares held	582,448	582,448
As a percentage of issued shares	0.48%	0.48%
Market value (KD)	2,050,217	1,877,812

An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve, share premium, treasury shares reserve and retained earnings throughout the holding period of treasury shares. The balance in the treasury share reserve account is not available for distribution.

19. Cost of operations	Kuwaiti Dinars	
	2022	2021
Staff salaries and related costs	14,979,662	14,498,196
Facilities costs	102,783	101,771
Other costs of operations	3,348	2,632
	<u>15,085,793</u>	<u>14,602,599</u>
<b>20. General and administrative expenses</b>		
	Kuwaiti Dinars	
	2022	2021
Staff salaries and related costs	4,553,665	4,759,159
Facilities costs	2,154,273	2,121,430
Depreciation and amortisation	3,416,691	4,093,876
Student activities costs	1,739,230	1,372,915
Other administration expenses	2,917,075	1,830,864
	<u>14,780,934</u>	<u>14,178,244</u>
<b>21. Selling expenses</b>		
	Kuwaiti Dinars	
	2022	2021
Advertising and sales promotion	2,455,852	1,973,085
Staff salaries and related costs	3,469	18,060
Net expected credit loss	94,810	79,411
Other selling expenses	141,063	120,539
	<u>2,695,194</u>	<u>2,191,095</u>
<b>22. Contribution to KFAS</b>		
<p>This represents contribution to the Kuwait Foundation for Advancement of Science ("KFAS") computed at 1% of profit for the year after transfer to statutory reserve and set off of accumulated losses brought forward. Provision for contribution to KFAS for the year is KD 538,870 (2021: KD 663,457) which represents KFAS payable of Al Arabia Educational Enterprises Company K.S.C. (Closed).</p>		
<b>23. National labour support tax ("NLST")</b>		
<p>This is computed at 2.5% of profit for the year after transfer to statutory reserve.</p>		
<b>24. Zakat</b>		
<p>Zakat represents tax payable to Kuwait's Ministry of Finance under Zakat Law No. 46 of 2006.</p>		



**25. Basic and diluted earnings per share**

Basic and diluted earnings per share is calculated as follows:

	Kuwaiti Dinars	
	2022	2021
Profit for the year	50,669,086	62,573,616
Shares		
Number of shares outstanding:		
Weighted average number of paid up shares	122,236,800	122,236,800
Less: Weighted average number of treasury shares outstanding	(582,448)	(582,448)
Weighted average number of outstanding shares	121,654,352	121,654,352
<b>Basic and diluted earnings per share (fils)</b>	<b>417</b>	<b>514</b>

**26. Segment information**

*Primary segment information – business segments:*

All of the segment revenue reported below is from external customers. For the purpose of segment reporting, the Parent Company's management has grouped its activities into the following business segments:

- a) Higher Education
- b) Others

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

Segment information by business segments is as follows:

	Kuwaiti Dinars		
	Higher education	Others	Total
<b>2022</b>			
Segment revenues- point over time	84,064,526	254,298	84,318,824
Segment expenses	(29,577,643)	(2,231,771)	(31,809,414)
Depreciation and amortisation	(3,396,250)	(20,441)	(3,416,691)
Write off of property and equipment and intangible assets	(16)	(24,258)	(24,274)
Finance charges	(179,941)	(530)	(180,471)
Share of loss of associates	-	(1,699)	(1,699)
Other income	1,741,777	41,034	1,782,811
Profit/(loss) for the year	52,652,453	(1,983,367)	50,669,086
<b>Assets</b>			
Segment total assets	147,090,970	8,530,301	155,621,271
<b>Liabilities</b>			
Segment total liabilities	19,311,803	2,565,332	21,877,135

	Kuwaiti Dinars		
	<b>Higher education</b>	<b>Others</b>	<b>Total</b>
<b>2021</b>			
Segment revenues- point over time	95,622,523	256,618	95,879,141
Segment expenses	(27,143,098)	(2,838,357)	(29,981,455)
Depreciation and amortisation	(4,052,228)	(41,648)	(4,093,876)
Write off of property and equipment and intangible assets	(86,152)	-	(86,152)
Finance charges	(276,002)	(771)	(276,773)
Share of loss of associates	-	(9,755)	(9,755)
Other income	1,063,259	79,227	1,142,486
Profit/(loss) for the year	<u>65,128,302</u>	<u>(2,554,686)</u>	<u>62,573,616</u>
<b>Assets</b>			
Segment total assets	<u>148,229,140</u>	<u>10,343,199</u>	<u>158,572,339</u>
<b>Liabilities</b>			
Segment total liabilities	<u>23,866,727</u>	<u>2,875,141</u>	<u>26,741,868</u>

Segment revenue above represents income generated from external customers. There was no inter-segment income during the year (2021: nil).

Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### *Information about major customers*

Revenues include an amount of KD 78,215,400 (2021: KD 89,218,092) from a Government institution in Kuwait.

## 27. Commitments and contingent liabilities

	Kuwaiti Dinars	
	<b>2022</b>	<b>2021</b>
<b>Commitments</b>		
Capital commitments for construction	<u>87,241</u>	<u>54,411</u>
<b>Contingent liabilities</b>		
Letters of guarantee	<u>2,147,646</u>	<u>1,481,893</u>

## 28. Financial risk management

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

### **Financial risk factors**

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

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

a) Market risk

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

(i) Currency risk

Currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to foreign exchange risk as a result of foreign exchange gains / losses on translation of foreign currency denominated assets and liabilities such as trade receivables and payables.

The Group's exposure to currency risk is minimal as the Group's financial instruments denominated in foreign currencies are not material.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from short-term bank deposits and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages interest rate risk by monitoring interest rate movements and by borrowing at market linked interest rates.

At 31 December 2022, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by KD 35,086 (2021: KD 73,178).

(iii) Equity price risk

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

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

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of bank balances and trade and other receivables. The Group manages this risk by placing its bank balances with high credit rated institutions. Credit risk with respect to trade receivables is limited due to dispersion across large number of customers. The Group considers the credit quality of amounts that are neither past due nor impaired to be good.

As at 31 December 2022, 92% (2021: 90%) of the total trade receivables is due from a Government institution (See notes 5 and 26).

*Maximum exposure to credit risk*

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

	Kuwaiti Dinars	
	<b>2022</b>	<b>2021</b>
Balances with banks	80,423,744	84,613,555
Trade and other receivables (excluding prepaid expenses and advance to suppliers)	24,888,375	20,641,536
	<u>105,312,119</u>	<u>105,255,091</u>

Notes to the Consolidated Financial Statements - 31 December 2022

For more information refer to Notes 4 and 5. None of the other financial assets are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by maintaining sufficient cash and bank balances and availability of funding from committed credit facilities and borrowings. The Parent Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Kuwaiti Dinars				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
<b>At 31 December 2022</b>					
<b>Financial liabilities</b>					
Trade and other payables	581,738	-	-	-	581,738
Accruals and other liabilities	5,312,621	-	-	-	5,312,621
Retentions payable	172,469	-	-	-	172,469
Long-term debts	2,321,723	-	-	-	2,321,723
Lease liabilities	156,676	156,676	400,502	190,603	904,457
	<u>8,545,227</u>	<u>156,676</u>	<u>400,502</u>	<u>190,603</u>	<u>9,293,008</u>
<b>Contingent liabilities</b>					
Letters of guarantee	848,332	1,298,314	1,000	-	2,147,646
<b>Commitments</b>					
Capital commitments for construction	87,241	-	-	-	87,241

	Kuwaiti Dinars				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
<b>At 31 December 2021</b>					
<b>Financial liabilities</b>					
Trade and other payables	738,921	-	-	-	738,921
Accruals and other liabilities	5,844,635	-	-	-	5,844,635
Retentions payable	282,076	-	-	-	282,076
Long-term debts	2,400,000	2,353,432	-	-	4,753,432
Lease liabilities	156,676	156,676	470,028	277,753	1,061,133
	<u>9,422,308</u>	<u>2,510,108</u>	<u>470,028</u>	<u>277,753</u>	<u>12,680,197</u>
<b>Contingent liabilities</b>					
Letters of guarantee	1,080,893	400,000	1,000	-	1,481,893
<b>Commitments</b>					
Capital commitments for construction	54,411	-	-	-	54,411

**Fair value of financial instruments**

The carrying amounts of financial assets and financial liabilities that are liquid or having a short term maturity approximate their fair value.

**29. Capital risk management**

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

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

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

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

As at 31 December 2022, the Group is not geared (2021: not geared).

**30. Dividend distribution***Proposed dividend and bonus shares – 2022*

The Board of Directors, subject to the approval of shareholders, have recommended distribution of cash dividend of 400 fils per share (2021: 400 fils per share) and bonus shares of 5% of paid-up capital (2021: Nil) for the year ended 31 December 2022. The cash dividend and bonus shares shall be payable to the shareholders after obtaining the necessary regulatory approvals.

**31. Annual General Meeting**

The Shareholders' annual general meeting (AGM) held on 20 March 2022 approved the audited consolidated financial statements of the Group for the year ended 31 December 2021. Dividend of 400 fils per share was approved by shareholders in the AGM for the year ended 31 December 2021 (2020: 400). Directors' remuneration of KD 250,000 for the year ended 31 December 2021 (2020: KD 200,000) was approved by shareholders in the AGM.

**32. Critical accounting judgements and key sources of estimation uncertainty**

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

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

**Judgements**

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

*Significant increase in credit risk*

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

### *Contingent liabilities*

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

### **Key sources of estimation uncertainty**

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

### *Calculation of loss allowance*

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

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

### *Impairment of tangible and intangible assets and useful lives*

The Group's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 2. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives and related depreciation and amortisation charge. The depreciation and amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.