HUMANSOFT

Empowering People Through Knowledge

ANNUAL REPORT

2022

HH Sheikh
Nawaf Al- Ahmad Al Jaber Al Sabah
Amir of the State of kuwait

HH Sheikh
Mishal Al-Ahmad Al Jaber Al Sabah
Crown prince of the State of kuwait

ABOUT **HUMANSOFT**

We started HUMANSOFT back in 1994. Then we were known as New Horizons a modest computer training center tucked away in a small office in Kuwait City. Just as the IT revolution was building up, our 'little' company took off and within a matter of 5 years we were able to expand into the UAE and Qatar. This tremendous development grabbed global attention and industry recognition as New Horizons was successfully providing training diplomas to hundreds of thousands of people in the GCC region.

Soon we spotted the need for our learners to make the next step in their development not only to improve their software and hardware IT knowledge but to add professional workplace and English language skills.

This prompted us to establish HUMANSOFT to incorporate all our educational initiatives. In doing so, we ambitiously invested in e-learning as early as 2003 with Net G, one of the largest e-learning providers.

We customized a wide range of e-learning programs and products to match the growing demands of our learners throughout the Middle East as well as Morocco, Algeria, Egypt, Lebanon.
To ensure the success of our projects, we created the necessary distribution and support networks. However, this was not the end to our passion and commitment to education and academic endeavour.

In the early 2000s, we began our dream-project to nurture a home-grown university in Kuwait that would cater for our youth's academic needs. We set out to build a higher education institution that would meet the rigorous local regulatory requirements. Thus, the American University of the Middle East (AUM) and the American College of the Middle East (ACM) came into existence, in affiliation with the prestigious Purdue University (USA). After a dedicated focus, research and commitment of resources AUM and ACM operated first batch in the academic year 2008-09 out of its campus at Egaila .

In the meantime, the HUMANSOFT team wrote another notable chapter in its story by being listed on the Kuwait Stock Exchange in 2005 as a company focused on the field of Knowledge Transfer and Learning in the Middle East.

Today, our dedication to excellence in higher level education and vocational training is as strong as ever. And it is there for all to see both on our AUM and ACM campus and throughout our longstanding network of training centers. Year on year, we offer a greater range of qualifications designed to meet the demands of the 21st century workplace.
As a result, our student population grows rapidly, attracting local, regional and international interests.

VISION

we will be a global company investing and promoting well researched, innovative, technology driven ventures related to Learning, Human Resources Management and Health Services

MISSION

to enhance the quality of people's lives, by empowering them through knowledge

ABOUT
HUMANSOFT

AT GLANCE

13,500+
Enrolled students

Over 60%
Female Students

17,000+
Alumni

261,190
Square meter campus

750+
Trees planted on campus

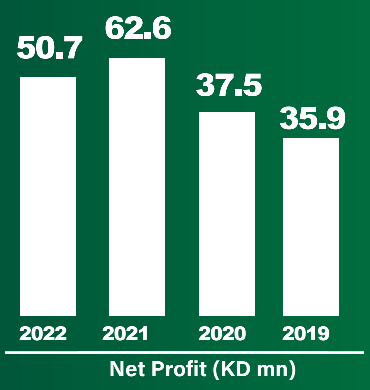
28
Offered programs

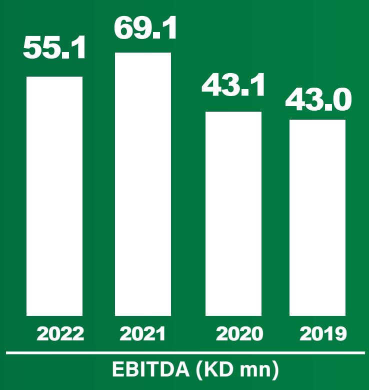
70+
Engineering Labs

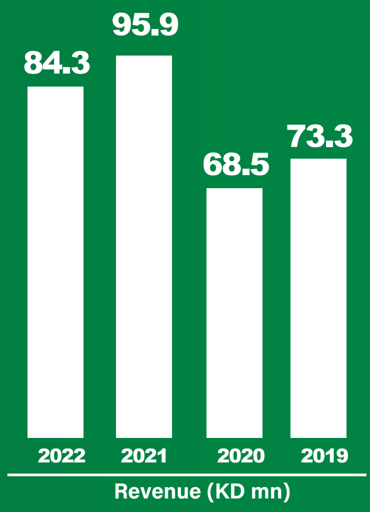
Over 30
Sports Achievements since 2018

Over 150
Community Engagement Initiatives since 2018

Over 70
Represented nationalities







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CHAIRPERSON'S STATEMENT

Dalal Hasan Al Sabti

Chairperson of the Board of Directors

Dear Esteemed Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you Humansoft's Annual Report for the fiscal year ended December 31, 2022.

Despite the recent global crisis and associated economic repercussions and challenges, Humansoft has continued to move forward on its journey of success. This achievement results from the strategies and plans set by the board of directors, coupled with the unwavering efforts of our executive management team at all levels and the trust of our shareholders. Additionally, the safe and attractive investment environment provided by the state of Kuwait and its positive strategic advantages has contributed to supporting future economic growth.

Since its inception more than twenty years ago, Humansoft Holding has been maintaining its status as one of the leading institutions in the MENA region, due to its continuous efforts to reinforce its positioning in the economic sector. Today, Humansoft remains a focal point for international investors and corporations, while actively contributing to several aspects of local and regional economic development.

Adaptability, Resilience, and Upgrade

Humansoft's resilient business model is evident through its exceptional growth, stable and solid performance, tangible results, and profitable returns to its shareholders, which resulted in advancing its distinguished positioning locally, regionally, and internationally. Despite the fluctuating performance of financial markets throughout the year, the company was able to upgrade its market position and enhance profitability, improve the quality of its assets, maintain a robust capital base, and keep liquidity levels steady through a set of successful strategic initiatives.

Humansoft has always been committed to adopting the highest sustainability standards through reinforcing institutional capabilities and resiliency of subsidiaries, building the capacity to adapt to changes, and continuing to upgrade our facilities towards a sustainable and eco -friendly model.

Financial Performance

Humansoft has achieved noteworthy financial results in the fiscal year 2022, with a net profit of KWD 50.7 Million.

Commitment to applying the highest governance and administrative standards

We believe that solid governance principles are the foundation for success and sustainability. Humansoft achieved its strategic plans this year due its commitment to the foundations and standards of corporate governance and working within its framework. Additionally, the institution remained dedicated to the highest governance standards through a set of policies and its full commitment to the rules set by the regulatory bodies and by applying governance through the policies of the Board of Directors and its committees to monitor and reduce the level of risk.

Putting Our Strategy into Action

In 2022, Humansoft continued to focus on its strategic goals, creating a competitive advantage through its subsidiaries and educational institutions.
Since its inception, Humansoft has been committed to providing high-quality education through the American University of the Middle East (AUM) and the American College of the Middle East (ACM), ensuring that they remain the first choice for students, despite the presence of various other educational institutions. This has been achieved by focusing on the areas listed hereunder.

Chairperson's Statement

A.Achieving Academic Excellence

1- Advancing in Arab and International Rankings

AUM has been ranked the first university in Kuwait among private and public universities and in advanced positions, regionally, and globally in the rankings issued by the most prestigious ranking bodies, such as Quacquarelli Symonds (QS) and Times Higher Education (THE):

• **QS World University Rankings:** AUM maintained its leading position in Kuwait for the second year and advanced to 710 -750 globally.

• **QS Arab Region University Rankings 2023:** AUM ranked first in Kuwait and advanced to 26th place in the Arab world.

• **THE Arab University Rankings 2022**: AUM maintained its first position in Kuwait for the second consecutive year and advanced to 18th rank in the Arab world.

For the third year running, AUM is ranked as the most Sustainable and Green University in Kuwait, according to UI GreenMetric World University Rankings. The University has advanced to the #237 worldwide, #16 in the Arab Region and amongst the Top 5 Most Sustainable and Green Universities in the Gulf region.

AUM is ranked first in Kuwait in two broad subject areas in the QS World University Rankings by Subject 2022: Engineering and Technology and Social Sciences and Management. Social Sciences and Management has been ranked 377th globally, 10th in the Arab World, and 6th in GCC. Engineering and Technology has been ranked among the top 500 globally, 17th in the Arab World, and 9th in the GCC.

2- Launching Strategic Initiatives and International Collaborations

Among the key strategic goals that AUM has been pursuing is partnering with global leaders in higher education which saw AUM joining forces with leading international institutions and universities to exchange experiences and develop the capabilities of students and the academic staff in various fields such as management, entrepreneurship, engineering, and artificial intelligence, in addition to offering intensive training programs. These global partnerships aim to continuously enrich the educational process for students. The following is an example of the most notable partnerships during 2022:

Babson College: AUM collaborated with Babson College in order to provide additional opportunities for its graduates who plan on studying master's degree at Babson.

University of California, Berkeley: AUM launched the first artificial intelligence and innovation center of its kind in the region, in collaboration with UC Berkeley AMENA Center. This collaboration between the two institutions aims to make a quantum leap in the field of artificial intelligence and to drive innovation, which is of great importance for the advancement of business and society.

European Organization for Nuclear Research (CERN): As part of being a full member at CERN, researchers at AUM are conducting joint research in various fields such as physics, electrical engineering, and mechanical engineering.

3- Advancing Academic Research

Stanford's list of the World's Top 2% Scientists included five faculty members from AUM.

B:Operational Efficiency

Humansoft strives to improve operational efficiency and identify opportunities to upgrade its infrastructure including technologies, facilities, policies, and systems, in addition to investing in human resources. This is to ensure that the process of efficiency improvement is continuous and even proactive in anticipating any future developments that the company may face, as recently demonstrated during the COVID pandemic.

C:Shareholder Value

The Board of Directors recommends to approve a cash dividend distribution of 400 fils per share, in addition to distributing free bonus shares at a rate of 5% of the capital, which is equivalent to 5 shares for every 100 shares fully paid shares. This recommendation is subject to approval by the shareholders at the Annual General Meeting and the regulatory authorities.
Humansoft's market value was approximately KWD 428.2 million as of December 31, 2022, making it one of the largest companies in the premier market on the Kuwait Stock Exchange.

Future Goals

Humansoft will keep focusing in the coming years on continuously achieving its strategic goals and in enhancing revenue and profitability growth by continuing to support and develop its educational institutions through the American University of the Middle East and the American College of the Middle East projects. We will continuously strive to improve the quality of education and keep pace with the significant disruptions driven by the technological revolution and artificial intelligence. Furthermore, we will complete the launch of the College of Health Sciences, as well as complete the plan of introducing new specialty programs in the College of Engineering to further meet the needs of the job market.
Humansoft will continue to pursue investment opportunities in modern technology sectors related to education and training, and invest in the General Education Sector(K-12) with the aim of diversifying sources of income and creating new revenue streams.

Sustainability and Social Responsibility

Humansoft has maintained a steadfast commitment to the highest standards of ethical work practices and transparency. Corporate Social Responsibility (CSR) has been an essential tenet of our business strategy and a cornerstone of our subsidiary companies. As a leader in the education, training, and knowledge transfer field, we are dedicated to making a sustainable impact in the communities in which we operate.

Humansoft has also contributed to environmental and social development and applied the concept of sustainability as part of its governance. The institution has been keen to instill a culture of sustainability by adopting various initiatives and participating in various memberships, as well as applying international sustainability practices through its cooperation with the local community.
Additionally, this also happened by supporting our subsidiaries in scientific research, which directly contributes to advancing sustainable environmental goals. Furthermore, our comprehensive sustainability strategy is reflected in global rankings that assess the impact of higher education institutions on sustainability and their contribution to achieving sustainable development goals.

Gratitude and Appreciation

We extend our special thanks and gratitude to all those who have contributed to our achievements, especially our clients and partners who have enabled the company to achieve this outstanding performance, and to our shareholders for their belief in the company and their support.
Special gratitude and acknowledgement go to our fellow Board members, the entire executive management team, and all employees of our subsidiaries for their effective contributions and efforts throughout the year to achieve the company's goals and future aspirations. We would like also to thank the banks that work with the company, and the various regulatory authorities in Kuwait that have demonstrated high efficiency, as well as the recent digital transformation initiative undertaken by the official authorities in the state of Kuwait. We look forward to a new year filled with new achievements and successes.

Year in-Review

Q1 2022

01

The ordinary general assembly meeting to approve distribute cash dividends for the fiscal year that ended 31/12/2021 at the rate of 400% of the nominal value of the share.

02

The ordinary general assembly meeting elected New board for Humansoft Holding company for the next 3 years.

03

AUM is ranked first in Kuwait in two broad subject areas in the QS World University Rankings by Subject 2022: Engineering and Technology and Social Sciences and Management. Social Sciences and Management has been ranked 377th globally, 10th in the Arab World, and 6th in GCC. Engineering and Technology has been ranked among the top 500 globally, 17th in the Arab World, and 9th in the GCC.

04

AUM and Babson have signed a memorandum of understanding (MOU) that allows AUM Bachelor's Degree (BS) graduates to enroll in the Graduate programs at Babson's F.W. Olin Graduate School of Business.

05

AUM demonstrated its commitment to empowering women and supporting talent through its sponsorship of RoadRush, the largest event for female professional racers in Kuwait. This event aligns with the university's social responsibility efforts and reflects its support for women and sports

06

AUM's cultural offerings were enhanced by the concert by Abdallah Alruwaishid, organized for students and alumni.

07

Over a period of two weeks, the AUM community gathered to celebrate the success of its 2020 and 2021 graduates at the Cultural Center

08

AUM concluded the AUM Startup Challenge 2022 by organizing an event at the Cultural Center on February 21, 2022. Winning students participated in Babson build, a 1-week program on Entrepreneurial Thought and Action in Boston, U.S.A

Q2 2022

01

AUM has been ranked the first university in Kuwait for the second year in a row and in the top 750 globally in the QS World University Rankings 2023.AUM has steadily advanced in the rankings year to year, from 801 – 1000 in 2021, to 751-800 in 2022 and reached 701-750 in the 2023 QS rankings.

02

The AUM Corporate Award Ceremony was held to honor local and international companies in Kuwait for their support of AUM graduates as integral members of their workforce.

03

AUM launched the Smartverse Center for AI and Innovation in cooperation with the University of California, Berkeley | AMENA (Asia, Middle East and North Africa) Center for Entrepreneurship and Development

04

AUM and ACM organized a special event for faculty and staff during Ramadan 2022.

05

The Next Generation Career Fair was held for a full week in a hybrid environment, attracting over 50 companies.

06

Humansoft participated in the EFG Hermes and Boursa Kuwait's Investor Conference, which took place under the title of "Stars Aligned for the Newest Emerging Market" from May 23 to May 26, 2022.

07

Humansoft participated in Boursa Kuwait London Conference 2022 on the 8th and 9th of June 2022, held in collaboration with HSBC.

Year in-Review

Q3 2022

01
AUM has been ranked the first university in Kuwait and #26 in the Arab Region in the QS Arab Region University Rankings 2023. The University has advanced in this ranking from #34 in 2022 to #26 in 2023

02
Five AUM faculty members were named in Stanford's list of the World's Top 2% Scientists.

03
AUM Participation in "Natural Gas Value Chain Opportunities and Challenges"

04
Humansoft participated in the EFG Hermes 16th Annual One-on-One Conference in Dubai, "Weathering Inflation – Finding Focus in FEM," held on 21 September and 22 September, 2022.

Q4 2022

01
AUM hosted the Times Higher Education MENA Universities Summit 2022 under the theme "Transforming learning for a sustainable future"

02
AUM is ranked by Times Higher Education (THE) as the First University in Kuwait and 18th in the region in the THE Arab University Rankings 2022.

03
For the third year running, AUM has been ranked as the most Sustainable and Green University in Kuwait by UI GreenMetric World University Ranking. AUM advanced 31 places to #237 worldwide, and made it to the Top 5 Most Sustainable and Green Universities in the Gulf and #16 in the Arab countries.

04
AUM collaborated with Schlumberger (SLB) to host The Sustainability Village and to celebrate sustainability. A mini walk-through experience was designed and linked with a number of the United Nations 17 Sustainable Development Goals and local sustainability goals.

05
To introduce its community to new cultures and celebrate diversity, AUM organized a Japanese-themed night on October 27, 2022, for students and alumni.

06
AUM offered two alumni the chance to watch FIFA World Cup finals in Qatar

07
AUM and ACM Sports Teams participated in the Universities Athletics Association in Kuwait League. The AUM male and female basketball and male football teams achieved first places in the tournament

INSTITUTIONAL STRENGTH

A belief that Knowledge Empowers People lies at the heart of HumanSoft's DNA and is a key contributor to its success.

Humansoft Holding and subsidiaries are world-class institutions and this is demonstrated through their adherence to the best global standards in terms of accreditation, ranking, and rating These international benchmarks are evidence of the institutions' superior positioning regionally and globally.

AUM

AACSB ACCREDITED

ABET Engineering Accreditation Commission

ABET Computing Accreditation Commission

QS WORLD UNIVERSITY RANKINGS 2023

THE ARAB UNIVERSITY RANKINGS 2022

THE IMPACT RANKINGS 2022

EXCELLENT QS

UI GreenMetric World University Rankings

EDUNIVERSAL RANKING 2022 BUSINESS SCHOOLS

QS WORLD UNIVERSITY RANKINGS BY SUBJECT | 2022

ACM

ABET Engineering Technology Accreditation Commission

ACBSP ACCREDITED

From the CEO

Georges Yahchouchi, PhD

Chief Executive Officer – HumanSoft

President – American University of the Middle East (AUM)

“A year of monumental achievements and Impact”
At Humansoft Holding we ended up the year 2022 feeling proud about the milestones achieved and optimistic about the future. The strategic choices taken during the last two years consolidated the institution endurance and opened doors for a prosperous future.

Leading the AI transformation in Kuwait and the region

Acknowledging the impact that advances in Artificial Intelligences will have on the society and the future of economies, AUM was the first institution in Kuwait and one of the few institutions in the region to invest in AI as a transformational technology in higher education and future jobs and qualifications. In April 2022, AUM launched the Smartverse AI holistic initiative in collaboration with UC Berkley, leading institution in AI and Entrepreneurship, to put together resources and to provide certification programs and to engage stakeholders (students and faculty) with their counterparts in the Silicon Valley-California
The first cohort of students started this unique transformational journey during
Fall 2022.

Research and rankings Success

The year 2022 was also marked by the focus on quality research and productivity. As a result of the continuous support and the strategy to expand its collaborations and international research network, AUM’s research productivity has increased by 55% compared to the previous year. More than 31% of those publications are indexed in the world’s top 10% journals by Scopus. Among its distinguished faculty members and researchers, five faculty members from AUM have also entered the Stanford List of top researchers in the world.

Those initiatives and achievements have contributed to the rise of AUM's reputation regionally and globally. For the second year, AUM has sustained its positioning as the number 1 university in Kuwait by both QS (Quacquarelli Symonds) and THE (Times Higher Education) Arab region rankings. Globally, AUM has also achieved a substantive evolution in world rankings and reinforced its leading position among regional universities. Additionally, in the "Subject Ranking", which benchmark institutions' performance in specific subjects, AUM was ranked in the position 377 globally, 10th in the Arab world and 6th in the gulf region in Social Sciences and Management and among the top 500 universities globally, 17th in the Arab world and 9th in the gulf region in Engineering and Technology.

Leading the Regional higher education conversation

As one of the leading institutions in the region, AUM has been selected to be the hub for academic debate on the future of higher education. In November 2022, AUM hosted Times Higher Education MENA Universities Summit 2022 event under the title "Transforming learning for a sustainable future". The summit attracted more than 40 expert speakers and 200 delegates from 19 countries. AUM has also been selected to host the QS Higher Ed Summit: Middle East & Africa 2023 in March 2023. This event also known as QS maple is considered as key event for the Higher Education leaders and data experts. In the same time, AUM consolidated its local strategic corporate partnerships. The AUM Corporate Awards was launched in 2022 with an aim to recognize the university's industry partners, the leading local and international companies from private and public sector in Kuwait. During the ceremony held in May 2022, AUM honored the strategic collaboration partnerships with these companies and the trust that they have towards AUM and ACM graduates.

More commitment toward SDGs

AUM and ACM has strengthened its commitment and initiatives that are contributing to the achievement of UN Sustainability Development Goals (SDGs) within a culture that is steadily promoting diversity, inclusiveness, gender equality and dialogue, harmonized with a state-of-art green campus living an accelerated shift to reduce carbon footprint. One of the very first initiatives when students came back to campus after Covid-19 period, was the launching of "Toward Zero Waste Campus" initiative led by students to strengthen awareness and remind them on the importance of recycling.

AUM and ACM commitment to SDGs is also confirmed by a key pillar which is the research where the faculty members have doubled their contributions to SDGs in the indexed publications of the last 3-years range.

The University is also keen to assess the impact of its commitment towards SDGs by participating in rankings dedicated for this purpose such as UI GreenMetric World University Rankings 2022 and Times Higher Education Impact Rankings 2022.

Continued innovation and expansion

Building on the developed synergies and capabilities, AUM will diversify and expand its offering. New double degree program is expected to be launched in this upcoming year as well as new majors in health sciences. The offering expansion will go also vertically by the offering of new MS. Program in Engineering.

AUM will continue to diversify and sustain its international collaboration with world class strategic partners such as, Babson college; HEC Montreal; UC Berkley; etc.

At Humansoft we set with pride the benchmark in the region for good governance, higher education innovation and success…

Environmental, Social, and Governance (ESG)

Humansoft's ESG framework comprises a set of key commitments on the Environmental, Social, and Governance fronts that serve as guiding principles for our ESG strategy. Our focus on sustainability, health and wellness, diversity and inclusion, professional development of our internal stakeholders, and good governance is core to our values.

Humansoft commits to the highest standards of governance and sustainability in its operation and activities. The institution focuses on creating a safe, ethical, and responsible work environment, in addition to producing a socially responsible generation.

Environment

Humansoft and its subsidiaries have a strong commitment toward sustainability and the environment. American University of the Middle East (AUM) and American College of the Middle East (ACM) campuses boast numerous green initiatives such as the use of zero-emission vehicles and efforts to minimize waste, including recycling programs and green spaces. AUM is a member of the Principles for Responsible Management Education (PRME) and has been consistently ranked as the most sustainable and green university in Kuwait by UI GreenMetric World University Rankings. Various activities are performed on campus and beyond in order to spread a sustainability culture on-campus and in the community.

- AUM is ranked #1 locally for various United Nations' Sustainable Development Goals (SDGs) and is a model of a socially responsible institution committed to the SDGs through research, teaching and activities.
- Increase in publications related to sustainability: increase by 55% in unique indexed publications contributing to one or more SDGs, and increase by 58% in contribution to SDGs through indexed publications.
- Collaborations, Impact, and Engagement with Community: THE MENA Universities Summit 2022, AUM Startup Challenge, Sustainability Day, Sustainability Village, Chemistry Souq, among others.

Social

Humansoft prioritizes diversity and inclusiveness, acknowledging the benefits a diverse workforce brings to the company. With a workforce of over 1,000 employees from more than 70 countries and a student population that is over 60% female, Humansoft values the importance of embracing a diverse and inclusive culture.

The company empowers and supports its human resources through providing funding for research, professional development opportunities along with organizing events that promote health, wellness and safety in the workplace. In line with their dedication to diversity and inclusiveness, the company arranges workshops on subjects such as emotional intelligence, breast cancer awareness, and diabetes.

Humansoft fosters an inclusive environment through accessible campus amenities, including level paths, wheelchair-friendly ramps, elevators, and a shuttle service for those with limited mobility.

These initiatives align with the United Nations Sustainable Development Goals (SDGs), particularly SDG 3: Good Health and Well-being, SDG 5: Gender Equality, and SDG 10: Reduced Inequalities, as they strive to create a healthy and inclusive work environment for everyone.

Best Practice Corporate Governance

Humansoft Holding Co. seeks to implement and adhere to governance frameworks through a set of policies, rules, and strategies in order to achieve the future goals of its business and projects. The Board of Directors and executive management are in full compliance with the rules set by the Capital Markets Authority.

Corporate Governance at Humansoft aims to:

- Ensure Board and Management accountability;
- Sustain an integrity culture;
- Contribute to the strength and continuity of corporate leadership; and
- Promote the long-term growth and profitability of the business.

The corporate governance framework at Humansoft is subject to the regulations and requirements of the Kuwait Capital Market Authority (CMA), and therefore the policies of the institution comply fully with the CMA regulations.


LLEGE of BUSINESS
MINISTRATION

Governance

With the development of governance standards, Humansoft is committed to following and adopting these standards and continuously complying with them through high standards of transparency and integrity, and proper regulation of the relationships between the board of directors and the executive management with stakeholders and compliance with the laws and regulatory guidelines by the Capital Markets Authority. The company's aim is to implement the principles of governance and considers making sound decisions as the foundation for this.

Governance Report of Humansoft Holding Company (KSCP)

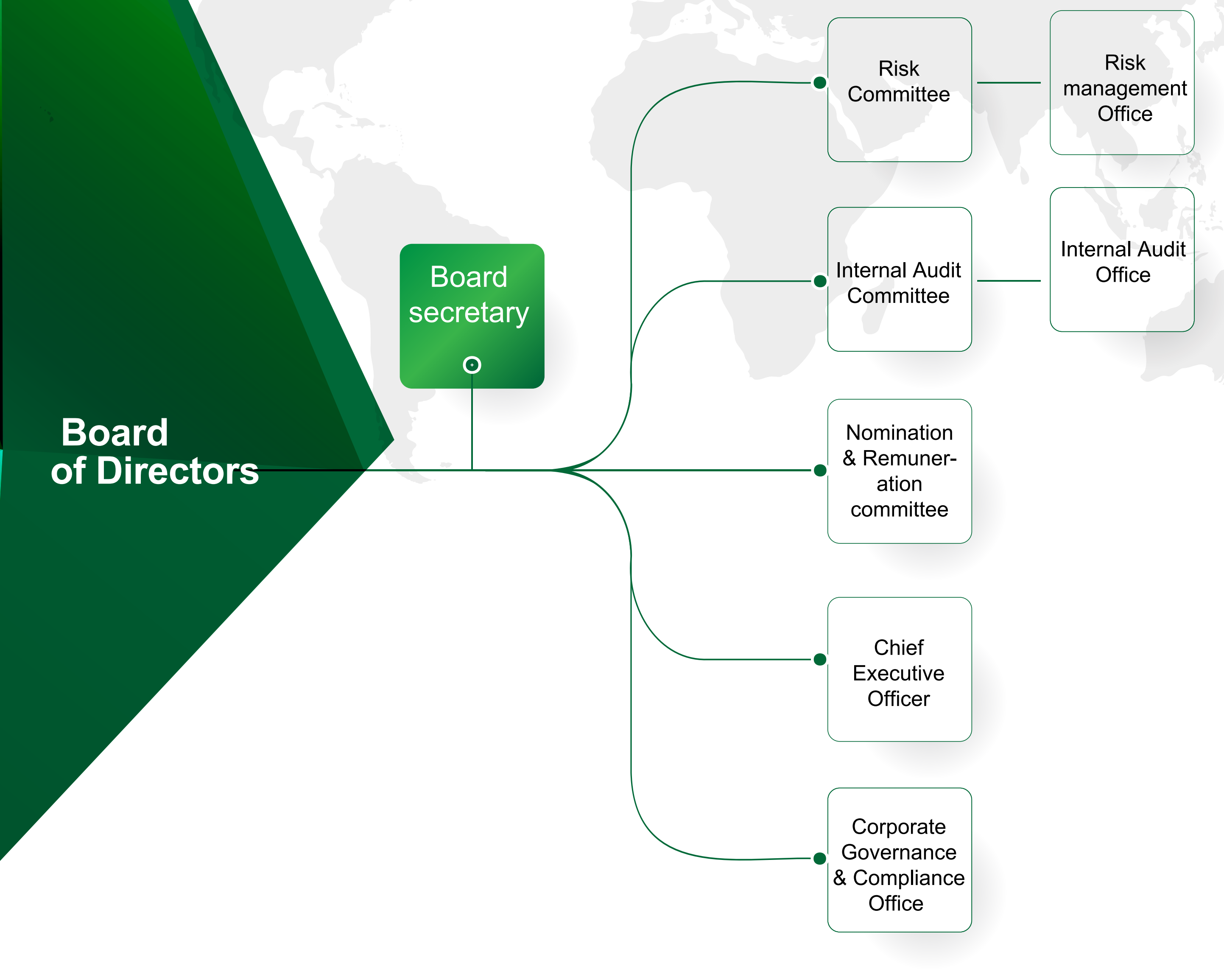
With the development of governance standards, Humansoft is committed to following and adopting these standards and continuously complying with them through high standards of transparency and integrity, and proper regulation of the relationships between the board of directors and the executive management with stakeholders and compliance with the laws and regulatory guidelines by the Capital Markets Authority. The company's aim is to implement the principles of governance and considers making sound decisions as the foundation for this.

Governance Framework

Construction of a Balanced Board composition
•Brief on the formation of the Board of Directors:
•During the year 2022, a new board of directors, chairperson, and a vice-chairman were elected, and a new board secretary was appointed
The company's Board of Directors consists of five members, who are elected and appointed by the company's General Assembly for a period of three years. The five members have academic qualifications and professional experience in the investment and economic sector and are listed hereunder:

Name	Classification	Qualification and Practical Experiences	Date Of Election /Appointment
Ms. Dalal Hasan Al Sabti	Non-executive	- University degree - Bachelor in Management Information System - More than 19 years of experience	20 March 2022
Mr. Tareq Fahad Al Othman	Non-executive	- University degree - Bachelor in Accounting - More than 16 years of experience	20 March 2022
Mr. Mayank Hasmukhlal Baxi	Non-executive	- University degree - Bachelor in Commerce - Chartered Accountant (CA) - More than 27 years of experience	20 March 2022
Mr. Abdulrazzaq Abdullah Mohammad	Independent	- University degree - Master in Law - More than 42 years of experience	20 March 2022
Mr. Hasan Qasem Al Ali	Non-executive	- University degree - Bachelor of Business Commerce - More than 22 years of experience	20 March 2022
Mrs. Nisreen Yasser Rashid	Board's Secretary	- University degree - Bachelor of Science in Computer Science and Mathematics - More than 17 years of experience	28 March 2022

Organizational Structure and Committees



Summary of the Board's meetings as follows:
The Board of Directors held 11 meetings during the year of 2022

	Ms. Dalal Hasan Al Sabti (Chairperson of Board of Directors)	Mr. Tareq Fahad Al Othman (Vice Chairman of Board of Directors)	Mr. Mayank Hasmukhlal Baxi (Member)	Mr. Abdulrazzaq Abdullah Mohammad (Independent member)	Mr. Hasan Qasem Al Ali (Member)
Meeting No.(1) Date: 16/01/2022	√	√	√	√	√
Meeting No.(2) Date: 07/02/2022	√	√	√	√	√
Meeting No.(3) Date: 16/02/2022	√	√	√	√	√
Meeting No.(4) Date: 28/03/2022	√	√	√	√	√
Meeting No.(5) Date: 06/04/2022	√	√	√	√	√
Meeting No.(6) Date: 11/05/2022	√	√	√	√	√
Meeting No.(7) Date: 01/06/2022	√	√	√	√	√
Meeting No.(8) Date: 16/06/2022	√	√	√	√	√
Meeting No.(9) Date: 27/07/2022	√	√	√		√
Meeting No.(10) Date: 19/09/2022	√	√	√	√	√
Meeting No.(11) Date: 31/10/2022	√	√	√	√	√
No. of Meetings	11	11	11	10	11

*The sign (√) when the board member attends the board's meeting.
*Ensure the scheduling of all board meetings during the year.

A summary on Modality of Implementation of the Requirements of Registration, Coordination and Archiving Board Meeting Minutes:

It is considered one of the company's obligations to be always keen to implement the requirements for saving and coordinating minutes' meetings, as well as keeping these minutes of meeting in a way that enables the members of the Board of Directors to revert back to them. The minutes of meetings are considered official records, and it is the responsibility of the board secretary in preserving these records and minutes and any decision related to them. Additionally, it is the responsibility of the board secretary to ensure the availability of these records upon request by members of the Board of Directors. Therefore:

1. The company maintains a special register of the minutes of Board meetings. As well as all reports related to the minutes of meetings.

2. Numbering the minutes of the meetings. A serial number, date, place and time of start and end of the meeting, In a way that allows sufficient time to discuss all clauses of the minutes and the names of members present in the meeting and absent members with excuse or without excuse are documented in the Board minutes.

3. Sending Invitations to the members of Board of Directors regarding the Board meetings no less than three working days.

4. Board members present at the meeting sign the minutes of the meeting.

5. Classifying the minutes of board meetings, recording its decisions and storing them in the Company's records, and enabling the Board members to obtain and view them at any time.

6. Adopting a policy that ensures compliance with the requirements of the Authority's regulations in this regard.

7. Ensure that concerned departments obtain the decisions of the Board of Directors and work to implement them.

The declaration of the independent member that it fulfills the controls of independence:

The independent member declares, through an acknowledgement issued by them, that they have nothing to prevent their independence as specified by the executive regulations of the Capital Markets Authority, as they:

1. Do not hold 5% or more of the company Shares or a representative of them.

2. Are not first degree relatives with any of the Members of the Board of Directors or Executive management members in the company or any other company in its Group or other relevant main parties.

3. Are not a member of the Board of Directors in any other company of the Group.
4. He is not an employee in the company or any company in the Group or for any of the Stakeholders.

5. He is not an employee for corporate entities who own Control shares in the company.

(A copy of the declaration is attached).

Acknowledgment and undertaking of the independent member

I, Abdul Razzaq Abdullah Muhammad, as an independent member of Humansoft Holding. I declare I have nothing to prevent my independence as specified by the executive regulations of the Capital Markets Authority:

1. I Do not hold 5% or more of the company Shares, neither does or a representative of mine.

2. I am not a first-degree relatives to any of the Members of the Board of Directors or Executive management members in the company or any other company in its Group or other relevant main parties.

3. I am not a member of the Board of Directors in any other company of the Group.

4. I am not an employee in the company or any company in the Group or for any of the Stakeholders.

5. I am not an employee for corporate entities that own Control shares in the company.

I also confirm that in the event of any change affecting my independence, I will notify the company in writing without any delay.

Abdulrazzaq Abdullah Mohammad

Establishment of Appropriate Roles and Responsibilities

An overview of how the company determines the policy of duties, responsibilities, and responsibilities of each of the members of the Board of Directors and the executive management, as well as the authorities and powers delegated to the executive management:

Among the tasks to the chairman of the board of directors is to chairman the board and coordinate with the committees. Among the duties of the board of directors is to regularly attend meetings. Everyone must prioritize the interest of shareholders and stakeholders. The chairman of the board must chair the meetings in a way that ensures hearing all discussions and encourages active participation from members for the benefit of the company and shareholders.The leadership responsibility of the company rests with the board of Directors in terms of making important and effective decisions that contribute to raising the value of the company in a profitable and steady manner. And permanent monitoring of the company's performance

The Company's Board of Directors has adopted a policy that clarifies how to define the tasks, responsibilities, duties and powers of both the chairman and members of the board of directors and executive management in accordance with the Company's Articles of Association and the Rules of governance in the fifteenth Module of the Executive bylaws of Law No. 7 of 2010 for establishment of the Capital Markets Authority and their amendments and the Companies Law No. 1 of 2016. The Board of Directors, through a written authorization documented in the Minutes of the Board may delegate any of its powers to any member of the Board. The CEO exercises the functions and powers as specified in the policy in pursuance to the Board of Directors authorization.

The Board of Directors has the task of appointing the executive management by selecting competencies and setting performance standards for this department in line with the company's strategy and future goals.
In addition, specialized committees are formed to be appointed by the board of directors and to carry out the tasks assigned to them with a continuous evaluation of the work of these committees and their members by the board.
The Board of Directors also has the authority to approve the quarterly and annual financial reports and all operations of the Company.
The company is committed to the principles of governance in order to achieve its strategic goals and preserve the interests of shareholders through the practical experiences of the Board of Directors and the Executive Management.

We present to you the most prominent achievements during this year:

The Company made a profits of 50,669,086 KD (Fifty Millions six hundred sixty nine thousands eighty six Kuwaiti dinars only), in the fiscal year 2022.

We also highlight the most important tasks that the Board of Directors carried out during ths year:

1-Newly elected members of the board of directors were appointed by the general assembly and committees were formed by the board of directors (internal audit committee, risk committee, nominations and remuneration committee).
2-Approval of the company’s annual and quarterly Financial Statements.
3- Approval of the governance report In line with the requirements of the Capital Markets Authority.
4- Discussing the Audit committee’s recommendation for appointment of the auditors for the fiscal year ending on 31/12/2022.
5- Approving the annual report for the remuneration of the members of the Board of Directors and the Executive Management of the company submitted by the Remuneration and Nominations Committee to submit them to the General Assembly.
6-Approval of assigning an audit office to prepare the ICR report (Internal Control Report) for the year 2021 to be submitted to the Capital Markets Authority.
7- Approval of the key performance indicators (KPIs) for evaluating the Board of Directors and each of its committees.
8- Approving the Board of Directors’ report for the annual general assembly on the company’s activities and financial position for the fiscal year ending on December 31, 2021 and following up on the implementation of the approved strategies and plans.
9- Approval of the general framework for risk management and the risk register submitted to the Board of Directors by the Risk Management Committee.
10-Discussing and approving the risk appetite and studying any potential effects on the company.

11- Approval of the of the budget plan for the year 2022.

12- Discussing the progress report of the Risk Management Office submitted to the Board of Directors by the Risk Management Committee.

13- The Board of Directors recommended to the Annual General Meeting distribution of cash dividends for the fiscal year ending 31 December 2021 at the rate of 400 % of the nominal value of the share (i.e. 400 fils per share).

Brief overview of fulfillment of the requirements for the formation of independent Board's committees:

Internal Audit Committee	Risk Committee	Nomination & Remuneration Committee
Members of the Committee	**Members of the Committee**	**Members of the Committee**
Mr. Tareq Fahad Al Othman Chairman	Mr. Abdulrazzaq Abdullah Mohammad Chairman/ Independent	Mr. Tareq Fahad Al Othman Chairman
Mr. Hasan Qasem Al Ali Member	Mr. Tareq Fahad Al Othman Member	Ms. Dalal Hasan Al Sabti Member
Mr. Abdulrazzaq Abdullah Mohammad Member / independent	Mr. Mayank Hasmukhlal Baxi Member	Mr. Abdulrazzaq Abdullah Mohammad Member/ Independent
Committee's Secretary: Nisreen Rashid	Committee's Secretary: Nisreen Rashid	Committee's Secretary: Nisreen Rashid
Number of meetings-9	**Number of meetings-5**	**Number of meetings-1**

Name of the Committee: The Internal Audit Committee
-The tasks and achievements of the committee during the year:

The committee consists of three members. The committee held nine meetings during the past year. Its role is to assist the Board of Directors in carrying out supervisory and control tasks. The company's internal regulations stated the responsibilities and powers of the Audit Committee include implementing internal control systems, the integrity of accounting reports and internal audit reports, preparing reports and providing appropriate recommendations and plans and submit them to the Board of Directors for approval. The committee achievements include:

1. The Committee reviewed the quarterly and annual financial statements and expressed its opinion and recommendation before submitting it to the Board of Directors for approval.
2. Meeting with the external auditors and follow up of their work, to ensure the accuracy of the financial statements.
3. Meeting with the Head of the Internal Audit Office and discussing with him the submitted reports.
4. Reviewing and approving the results of the internal audit office's report, in implementation of the approved internal audit work plan, and submit them to the Board of Directors.
5. Recommending to the Board of Directors the reappoint the external auditor.
6. Approving of the internal work plan of the year 2023.
7. Evaluate the internal office manager and ensure that his role is performed effectively.
8. Discussing the internal control report issued by the Independent Audit office, and recommending it to the Board of Directors.
9. Discussing the report to evaluate the performance of the internal audit department / office / unit every three years, and submitting its recommendation to the Board of Directors.
10. A new name was proposed for the position of the Head of the Internal Audit Office and the recommendation was made to the board of directors.
11. Preparing the Audit committee report to be read to the annual general assembly.

Date of formation of the committee: 28/3/2022 and its term ends with the end of the term of membership of board of directors.

2-The Name of the Committee: The Risk Management Committee
- The tasks and achievements of the committee during the year:

The committee consists of three members. The committee held five meetings during the past year. One of its most important tasks is to review the reports issued by the Risk Management Office , as well The responsibilities of this committee include ensuring that the company does not exceed the risk tolerance levels set by the Board of Directors, and of its achievements:

1. The Committee approved the progress report of the risk management office and referred it to the company's Board of Directors for discussion and approval.
2. The Committee approved the general framework of the risk management office Including risk propensity and referred it to the company's Board of Directors.
3. The Committee approved the risk management office register and referred it to the company's Board of Directors.
4. Confirmation of adherence to international standards and procedures for work and the efficiency of resources and information systems.
5. Nominating a new name for the position of Head of the Risk Management Office and submitting its recommendation to the Board of Directors.

Date of formation of the committee: 28/3/2022 and its term ends with the end of the term of membership of board of directors.

3- Name of the Committee: The Nomination and Remuneration Committee

The committee consists of three members, and the committee held one meeting during the past year .The responsibilities and tasks of this committee include nomination and re-nomination for the positions of members of the Board of Directors and Executive Management and the annual evaluation of their competencies and skills..During the fiscal year, it was the following:

1. Approving the annual report for the remunerations of members of the Board of Directors and the executive management of the company.
2. Review the Key performance indicators (KPIs) for evaluating the company's Board of Directors of the company.
3. The Committee prepares the annual governance report and submits it to the Board of Directors.

Date of formation of the committee: 28/3/2022 and its term ends with the end of the term of membership of board of directors.

• A brief overview modality of fulfillment of implementation of the requirements that allow members of the Board of Directors to have access to information and data accurately and in a timely manner.

Board Members may ask for any information from the Board's Secretary. The Secretary is committed to providing the information and required documents precisely and in an appropriate time.

Recruitment of Highly Qualified Candidates for Members of the Board of Directors and the Executives Management

• A brief overview of composition of the Nomination and Remuneration Committee:

The Board of Directors established the Nomination and Remuneration Committee from three members, among whom one is an independent member of the Board of Directors. The committee is chaired by a non-executive member. The Secretary of the Committee register and keeps the minutes of the meetings in addition to carrying out the administrative works of the committee.
As mentioned in the first rule, the five members of the Board of Directors possess the academic qualifications and practical experience in the investment and economic sectors and the required competence in order to achieve the desired goals. The Nominations and Remunerations Committee is responsible for conducting the annual evaluation of these members.
The committee also reviewed the objective performance indicators (KPIs) to evaluate the Board of Directors and each of its committees.

1 Summary of the company's policy of compensations and incentives, specifically that related to Members of a Board of Directors, the Executive Management and the managers:

With regard to the remuneration of members of the Board of Directors, the Board of Directors, in its meeting held to discuss the annual financial statements, estimates the remuneration amount for each member of the Board, which is calculated based on the profits achieved and in accordance with the regulati ons of the law and Article 46 of the company's articles of association regarding the upper limit of the remuneration, which is 10% of the remainder of the profits

The Board recommends the amount of the remuneration at its meeting. Then, the recommendation gets submitted to the annual general assembly for approval. As for the remunerations of the executive management and managers, there are no variable remunerations given to the executive management and managers, and if any, this requires the approval of the Board of Directors.

2- Include the following two statements as follows:

In pursuance to the resolution of the annual general assembly , held on March 20 2022, the approved remuneration of the members of the board of directors for the fiscal year 2021, were distributed in the amount of K.D 50,000 for each member of the Board and with the total amount of K.D 250,000.

Remunerations and benefits of Members of Board of Directors							
Total number of members	Remunerations and benefits through the parent company			Remunerations and benefits through the subsidiaries			
	Fixed remuneration and benefits (Kuwaiti Dinar)	Variable remuneration and benefits (Kuwaiti Dinar)		Fixed remuneration and benefits (Kuwaiti Dinar)		Variable remuneration and benefits (Kuwaiti Dinar)	
	Health insurance	Annual remuneration	Committees' remuneration	Health insurance	Monthly salaries (total of the year)	Annual remuneration	Committees' remuneration
5		250,000					

* Details of the segments and types of remuneration and benefits mentioned are examples without limitation.

Total remunerations and benefits granted to five senior executives who have received the highest remunerations. This is in addition to the Chief Executive Officer and the financial manager or their deputy, if not included *															
Total executive positions	Remunerations and Benefits through the parent company							Remunerations and Benefits through the subsidiaries							
	Fixed remuneration and benefits (Kuwaiti Dinar)						Variable remuneration and benefits (Kuwaiti Dinar)	Fixed remuneration and benefits (Kuwaiti Dinar)						Variable remuneration and benefits (Kuwaiti Dinar)
	Monthly salaries (total of the year)	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration	Monthly salaries (total of the year)	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration
5	257,092	1,282	9,847	16,200	5,101	2,853	Nil	69,731	514	16,000	Nil	Nil	Nil	Nil

* Details of the segments and types of remuneration and benefits mentioned are examples without limitation.

3. Any substantial deviations from remuneration policy approved by Board of Directors.

Nil

Safeguard of the Integrity of Financial Reporting

• A written undertaking of safety, integrity and accuracy of the financial reports.
please refer to the financial statements section in the 2022 annual report .

• A Brief Overview of the Implementation of the Requirements of the Formation of the Audit Committee:

The Board of Directors formed the Audit Committee from three members from among its members. The Committee is chaired by a non-executive member. All members have academic qualifications and practical expertise. The Secretary of the Committee registers and keeps the minutes of the meetings, and carries out the administrative work of the Committee. The committee meets regularly on a quarterly basis.The committee met nine times over the past year.
As explained in the second rule, the responsibilities of the internal audit committee include monitoring the implementation of internal control systems and the integrity of accounting and internal audit reports and making recommendations in order to submit them to the Board of Directors for approval. All these responsibilities come within the framework of ensuring and ensuring the integrity of the quarterly and annual financial reports.

In the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors (if any), a statement is included detailing and clarifying the recommendations and the reasons of the decision of the Board of Directors not to abide by them.
Occurrence: Not occurred

• Emphasizing the Independence and Neutrality of the External Auditor:
The responsibilities of the company's accountants in auditing financial reports and data are among their most critical responsibilities, and the neutrality of these auditors is considered a fundamental requirement.
An independent external auditor is appointed annually with independence and impartiality from the Board of Directors. The Board of Directors makes sure that the external auditors do not provide any services to the company other than the services required for auditing and reviewing.
Nomination to appoint or reappoint the external auditors is part of the task of the audit committee.
The Audit Committee submits their names to the Board of Directors, which in turn recommends them to the General Assembly for approval. The General Assembly re-appointed Deloitte & Touche as auditors for the company for the fiscal year 2022.

Applying Sound Systems of Risk Management and Internal Audit

• A brief statement of the implementation of the requirements for the establishment of an independent department / office / unit for risk management:

A company’s Risk Management Office was established on 29/6/2016. The office has a full technical independence according to regulatory requirements and reports directly to the Risk Committee. A new Head of Risk Management Office has been appointed on September 19, 2022.

• A Brief Overview on the Implementation of the Requirements of Forming the Risk Management Committee:

The Board of Directors formed a Risk Management Committee consisting of three Board members. The Committee is chaired by a non-executive (independent) member. All members also possess academic qualifications and practical expertise. The Secretary of the Committee is entrusted with registering and keeping the minutes of the Committee’s

meetings, and carrying out the administrative works of the Committee. The Committee meets regularly on a quarterly basis. The committee met five times during the year.
One of the main tasks of the committee is to assess the degree and levels of risk tolerance that the company can avoid and all possibilities to reduce potential risks, as mentioned in the second rule.
It performs its role in reviewing the progress reports of the Risk Management Office and ensures compliance with global standards for risk management.

• Brief Overview of Control and Internal Audit Systems
The Company maintains a control and internal audit systems that cover all of its activities. Internal control systems aims at maintaining the integrity and accuracy of the company's financial statements and the efficiency of all its operations. It also aims to protect the rights of shareholders and raise the company's status. The principles of internal control are based on the dual control process (Four eyes Principles), through full separation of duties, dual inspection and control, and dual signature. The Company also developed an independent internal audit process as follows:

- The Internal Audit Office reports directly to the Audit Committee.
- The Board of Directors determines the duties and responsibilities of the internal audit; and the Audit Committee is responsible for monitoring the internal audit systems and their adequacy.

One of the company's goals is its keenness to implement internal management systems and ensure the commitment of all authorities directed to protect companies from any risks and to maintain the accuracy and integrity of the financial statements to help protect shareholders, rights.
The dual control process is an internal means of applying control systems. The Internal Audit Office affiliated to the Audit Committee is one of the entities responsible for monitoring the internal audit systems and ensuring its effectiveness.

• A brief statement of the implementation of the requirements for the establishment of the independent department / office / unit for internal auditing.

The Board of Directors formed an internal audit office on 29/6/2016. The office has a full technical independence and reports directly to the Audit Committee and indirectly subordinate to the Board of Directors. Based on the recommendation of the Audit Committee, a head of the Internal Audit Unit was appointed by the Board of Directors. The head of the Internal Audit Office is evaluated by the Audit Committee and ensures that his role is performed effectively. A new Head of the Internal Audit office has been appointed on September 19, 2022.

Promoting Code of Conduct and Ethical Standards

• A Brief Overview of the Business Charter including standards and determinants of code of conduct and ethical standards:

The Board of Directors has approved and adopted a Business charter of joint work conduct and its implementation for the Company. The Business Charter emphasizes a culture of professional and ethical behavior that enhances investor confidence in the company's financial integrity and safety. The Charter includes the commitment of all employees of the Company to the laws and internal policies of the Business Charter, and not to exploit their positions for personal gains. Maintaining confidentiality and maintaining information.The Business Charter stresses that necessity of following the standards and requirements for professional conduct and ethical standards, in accordance with the Capital Market Authority's executive bylaws. It also deals with the Conflicts of interests, prohibiting bribery, and regulating the relationship of employees with each other on the one hand and between them and the company's clients on the other hand. The Charter also regulates reporting on violations of laws, policies and regulations of the company and the investigation process. This is in order to avoid violations that the company may be exposed to.

• Summary of Policies and Mechanisms for Reducing Conflict of Interest Cases:

A member of the Board of Directors is obligated to report to the Company's Board of Directors any personal interest he may have in any activity or contract of the company, provided the reporting is registered in the minutes of the meeting and that member has no right to discuss and vote in the matters in which has any personal interest. The Chairman of the Board of Directors must declare at the General Assembly meeting any conflict of interests of any member of the Board who has a personal interest in the activities and contracts of the company. This declaration must be accompanied by a special report from the auditor. The Board deals with these cases in an appropriate manner in line with regulatory requirements. The Conflict of Interest policy also prohibits the employees of the Company from working for a client or competitor of the company during their employment.

Timely and High Quality Disclosure and Transparency

• A brief overview of the implementation of accurate and transparent presentation and disclosure mechanisms that define aspects, areas and characteristics of disclosure:

The Company's Board of Directors has approved and adopted a disclosure and transparency policy, according to which the Company is committed to accurate and transparent disclosure in accordance with the mechanisms set out in the executive bylaws of the Capital Markets Authority Law No. 7 of 2010 in Module 15 "Corporate Governance", Chapter 8 and Module 10 "Transparency and Disclosure". Disclosure aspects include material information, a list in the names of insiders, beneficiaries, remunerations for members of the Board of Directors, and any other disclosures required by the executive bylaws, quarterly and annual financial statements, any material information, any changes in the list of insiders, and the board of directors and executive management.
The Corporate Governance Office is responsible for supervising the disclosure process in order to ensure that the company adheres to the instructions and laws, and it is considered the authority responsible for communicating with the Capital Markets Authority or any regulatory authority, He must abide by the disclosure dates within the regulatory deadlines.

• A brief overview on the Implementation of the Requirements of Maintaining Record of Disclosures by the Board of Directors , Executive Management and the managers :

The existence of a disclosure register for the company ensures transparency and credibility.
The Company maintains a special record for the disclosures made by members of the Board of Directors and executive management. The record is made available to all shareholders of the company. The Company updates the contents of this records periodically.

These disclosures can also be viewed through the Board of Directors' Disclosures Register on the company's website

• A brief statement on the implementation of the requirements for forming Investor Relations Unit:
The Company regulates the Investors' Relations by making available and providing the necessary data and information to investors in a timely and

accurate manner, through the recognized disclosure methods, including the company's website for receiving inquiries.
Also, these data and information are available to shareholders through the annual report, quarterly analysts' conference call, periodic reports, and others.
The analyst conference call is considered one of the important conferences in which shareholders are contacted directly, receiving all their inquiries and questions and answering them.
Also, one of the objectives of the Investor Relations Management Office who have competence and experience is to communicate with shareholders and investors on a permanent and continuous basis, with the aim of improving the company's position in the local and international market and attracting the largest number of investors and shareholders .
The company is also always keen to deal with all shareholders with honesty and equality and not to favor any personal interests at the expense of other interests.

• A brief overview developing information technology infrastructure, and relying heavily on it for disclosures:

The company adopts the use of information technology for communication with shareholders, investors and stakeholders. A page dedicated to corporate governance has been created on the website of the Company, through which all recent information and data that may assist shareholders, current and potential investors to exercise their rights and evaluate the company's performance are displayed.It also includes all the disclosures and results of the periodic financial reports, and the company's information is updated on the Boursa Kuwait website. The Governance Department also communicates with the Capital Markets Authority through e-mail and the Authority's website.

Respect of the Rights of Shareholders

•A summary of the implementation of the requirements for defining and protecting the general rights of shareholders, in order to ensure justice and equality among all shareholders:

The Company follows its policy of "the General Assembly Guide and the Rights of Shareholders in the Company", which was approved by the company's Board of Directors in pursuance to Module 15, Chapter 9 ("Respecting the Rights of Shareholders"). The Company's policy guarantees in its activities to all shareholders, protection of their rights and equality and protecting their investments from misuse, whether by the CEO, the Company's Board of Directors or major shareholders.

All shareholders have equal rights to obtain their share of the dividends, attend the general assembly meetings of the Company and vote on its decisions, discuss financial statements, run for membership in the Board of Directors, elect members of the board of directors, monitor the company's performance and the work of the Board of Directors and questioning them if they neglect to carry out their tasks or exceed the powers entrusted to them.

The company holds an analysts' conference on a quarterly basis, in which it discusses the financial results with shareholders and answers their inquiries The company's management is always keen to respond and communicate the shareholders' questions and inquiries.

The disclosure register, through which the shareholders can view all developments in the company, is a means through which they obtain all information.

• A summary of establishing a special register to be kept with the clearing agency, as part of the requirements for continuous monitoring of shareholders' data:

The Company has a special register for its shareholders with the Kuwait Clearing Company. The Company is notified on a daily basis on trades during the day, the names of the shareholders, their numbers and the percentage of ownership of each of them.
This Shareholders register is updated on a daily

Basis, and coordination is made with the Kuwait clearing in order to prepare all shareholders' invitations for the general assembly.

• A brief overview of encouraging shareholders to participate and vote in the assembly meetings of the company:

The good financial performance of the company encourages the shareholders to attend the assembly meetings. Also, opening discussion and answering questions of the shareholders and enriching the discussions for the topics of the agenda encourages the shareholders represented in the meeting to participate in the discussion and enrich the meeting and to cast their vote on the decisions of the general assemblies of the Company. The company also sends an invitation to all shareholders to attend the General Assembly through a disclosure that can be viewed on the company's website on the stock exchange, with prior determination of the agenda, its items, and the place and time of the meeting so that the shareholders can attend the meeting and discuss all items with the members of the Board of Directors and vote on them. The invitation is also published on the Kuwaiti daily newspapers and the company's website.

Recognizing the Role of Stakeholders

• An overview of the systems and policies that ensure protection and recognition of the rights of stakeholder:

The Company recognizes stakeholders in conformity with the definition of the CMA Executive Bylaws which includes all persons who have an interest with the company, including employees, clients, suppliers, creditors, etc. In its dealings with stakeholders, the Company acknowledges their legal and contractual rights and is committed to perform of those rights in their due dates.

Any event that can occur, must be taken into consideration by the Board of Directors, the Executive Management and the affiliated committees so as not to affect the interests of shareholders

• A brief overview on how to encourage stakeholders to participate in following up the company's various activities:

The Company strives to provide better working conditions for its employees, build a relationship of trust and respect between the employee and the company, and involve them in decision-making matters related to improving their work and discusses their suggestions. The company's policies also obligated the employees to report any of the violations, and sets out a mechanism for reporting and protecting the reporter who reported in good faith but his report was found not to be correct.

The company adopts a policy of reporting violations and a policy for complaints in order to guarantee the rights of stakeholders and increase their trust in the company.

The Company also strives to build constructive relationships with clients and suppliers based on mutual trust and respect and commitment to its contractual obligations as good faith requires. The Company welcomes any complaint submitted by any of the stakeholders and will study it carefully and respond to it accordingly.

Encouragement and Enhancement of Performance

• Summary of the implementation of the requirements for setting mechanisms enabling the members of the Board of Directors and the Executive Management to obtain continuous programs and training courses:

The company has a policy for training of the members of the Board of Directors and Executive Management. This policy regulates the introduction of induction programs for new members and continuous training for the members of the Board of Directors and the Executive Management through attending training programs, workshops and conferences related to their training needs. The aim behind this is to help members of the Board of Directors to make their decisions at a level of high professionalism.

• Summary of evaluating the performance of the Board of Directors as a whole, and the performance of each member of the Board of Directors and Executive Management:

According to the policy adopted by the company, the evaluation is based on the Key Performance Indicators (KPIs) connected with extent of achieving the strategic goals of the company, the quality of risk management and the sufficiency of the internal control systems and that in accordance with the approved procedures, standards and models for the evaluation of the Board of Directors, each of the members of the Board, the Board Committees and Executive Management of the Company.

One of the most important tasks of the annual nominations and remunerations committee is to review the key performance indicators (KPIs) to evaluate the Board of Directors of the company.

• A brief overview of the efforts of the Board of Directors to create corporate values (Value Creation) for employees in the Company, through achieving strategic goals and improving performance rates:

The Board of Directors strives to create the corporate values of the Company through serious and continuous work to achieve the strategic goals of the Company and improve performance and full compliance with the applicable laws and regulations and in particular the Governance Rules. The Company's culture contributes greatly to improving the work environment and the performance of its employees, as the company's culture strives to qualifying employees and increasing their knowledge and creating optimal working environment. It also encourages teamwork and cooperation among employees and appreciate initiatives and creative work. The company also strives to enhance the employees' feeling of belonging to the Company.

Humansoft’s commitment to Corporate Social Responsibility

HumanSoft’s always highlights two main topics:

- Environment
- Social

Through its subsidiaries, HumanSoft has been keen to organize many initiatives, activities and programs related to above topics:

Environment

- AUM, one of the largest affiliates of HumanSoft, is a member of the Principles of Responsible Management (PRME) of the United Nations Global Compact.
- AUM has been ranked as the most sustainable University in Kuwait, and #237 worldwide by UI GreenMetric World University Ranking.
- AUM celebrated "Sustainability Day" by organizing a workshop for its students, titled "Paper Recycling Workshop" with the aim of introducing them to how to recycle, and to make them aware of the importance of this process to protect natural resources and preserve the environment.
- AUM collaborated with Schlumberger (SLB) to launch "The Sustainability Village" on campus; a project that aimed to highlight the importance of the 17 sustainable development goals of the United Nations, plus the local sustainability goals for modern Kuwaiti families.
- AUM hosted the THE MENA Universities Summit 2022, as the first event of its kind in Kuwait, in the presence of professionals and academics from various international and regional universities and educational institutions. The summit mainly aimed to exchange experiences on building and developing a comprehensive vision for higher education sector in the region for a more sustainable future. In addition to discussing how universities can better collaborate with various companies and other educational institutions to develop relationships, address skills gaps, and explore how to stimulate the transition to a knowledge-based and sustainable economy through the adoption and inclusion of new educational models such as micro-accreditation and lifelong learning miles.

- The Chemistry Department and Young Inventors Club at AUM launched the "The Chemistry Souq" to introduce students to chemistry and its importance, not only within the university, but in life generally. The event included seminars and workshops related to environmental sustainability topics. In addition to a range of fun activities related to chemistry.
- AUM organized a panel discussion entitled "United for Sustainable Development" for faculty members. The lecture included many discussions about the role of higher education in sustainable development and the 2030 Agenda. And how AUM faculty members are keen to reflect the concept of “sustainability” in their education, with AUM providing them with appropriate resources that would help in presenting it properly to their students.

Social

- In an initiative to encourage safe driving among its students, AUM collaborated with Kuwait Oil Company (KOC) to launch "Safe Driving" campaign to spread awareness of safe driving among them.
- Participation of AUM and ACM students in various sports competitions in order to create a healthy environment for its positive effects on the student's athletic and academic performance.
- AUM participated as a strategic sponsor in RoadRush, Kuwait's largest event for professional female racers; as part of the university's social responsibility to empower women and support talents.
- To introduce its students to new cultures and celebrate diversity, AUM organized a special Japanese evening for its students and alumni.

Report of the Audit Committee For

The fiscal year ended 31/12/ 2022

During the previous fiscal year, the Audit Committee was keen to perform the tasks assigned to it and the powers entrusted to it by the company's board of directors. Its responsibilities included reviewing the quarterly and annual financial statements, evaluating the internal control systems and their efficiency, appointment of the company's external auditors, and holding periodic meetings within the framework of compliance with the laws of governance.

The Audit Committee held 9 meetings during the year 2022, and the committee consists of three members:

1- Mr. Tareq Fahad Al Othman	Chairman
2- Mr. Hasan Qasem Al Ali	Member
3- Mr. Abdulrazzaq Abdullah Mohammad	Member / independent

The committee summarizes its report during the year 2022 as follows:

1- Achievements and tasks of the committee

- The committee reviews the quarterly and annual financial statements and sets out recommendations before submitting it to the board of directors for approval.
- Meeting with the external auditors and following up their work to ensure the integrity of the financial statements.
- Meeting with the internal audit office, following up on their work, and reviewing all submitted reports and their validity.
- Recommending to the Board of Directors the reappointment of external auditors.
- Reviewing the Internal Control Report issued by the independent audit office.
- Reviewing a report issued by the external audit office to evaluate the performance of the internal audit unit every three years.
- Approving the internal audit work plan for the year 2023.
- Reviewing and approving the reports submitted by the internal audit office as per the approved internal audit work plan.
- Evaluation of the head of the Internal Audit Office.
- Nominating a new name for the position of Head of the Internal Audit Office.

Review of the Internal Control Systems in the Company.

During the fiscal year 2022, an internal audit was conducted in all departments of Humansoft Holding Company, according to the internal audit plan, with the aim of reviewing and evaluating the Company's internal control systems, and proposing the necessary amendments if necessary. The outcomes of the audit showed that all the Company's operations were carried out in accordance with the approved procedure, and that the Company's management adopted all the necessary control procedures. All documents of the Company are kept in the Company's main office and the management of the Company is fully prepared to identify, evaluate and manage the Company's business and financial risks.

The Audit Committee seeks to perform its oversight role on the validity of the annual and quarterly financial statements before submitting them to the Board of Directors, supervising the Internal Audit Office, and assessing the head of the Internal Audit Office, ensuring that his role is effectively performed, as well as ensuring the integrity of the accounting and financial reports.

The committee also held periodic meetings with the internal auditor, during which it discussed the reports and all observations issued by the internal audit office and made sure that the Company's internal control systems of the various departments are proper and that the control tools are appropriate to achieve effective internal control. The committee also discussed and approved the proposed audit plan for auditing work within the company.

Review of the Consolidated Financial Statements of the Company

The Committee conducted a detailed review of the Company's quarterly and final financial statements for the fiscal year 2022, expressing its opinion and recommendations thereon before referring them to the Board of Directors.
The Committee also met with the external auditors and the Office of Internal Audit and discussed with them their reports. The reports showed the integrity of the Company’s financial statements and the observance of the accounting principles.

The decrease in profit during the financial year ended on 31 December 2022 in comparison with the same period in the previous year is mainly due to lower revenue in the year 2022 as compared with the year 2021.Please note the results of the year 2022 and the year 2021 are not comparable because of disruptions due to Covid-19 and the changes in the academic calendar.

Review the Reports of the External Auditors and the Internal Audit Office

The external auditors' reports on the consolidated financial statements for the year 2021 and the reports of the Internal Audit Office were reviewed. These reports showed the integrity of the financial statements and the consolidated financials of Humansoft Holding Company, and that they were prepared in conformity with International Financial Reporting Standards (IFRS).
The Committee reviewed the internal control report of the independent auditing office, and found, according to the report, that all departments of Humansoft Holding are committed to internal control systems and the applicable laws and regulations.
The committee also ensures that the auditors are officially registered in the records of the Capital Markets Authority and that they meet all accounting requirements, as well as ensuring their independence and integrity and that they do not provide any other services that conflict with the audit work.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ADMISSION & REGISTRATION

Financials

Humansoft has been following a consistent strategy of a balance of Quantitive and Qualitative growth, thereby consistently growing its net profit and margins and with it maintaining high levels of Return on Equity (ROE) and Return on Assets (ROA).

Board of Directors’ Report 2022

The Board of Directors is pleased to present to you its financial results achieved by the institution along with the audited financial statements of Humansoft Holding for the year ending December 31, 2022.

2022 Financial Highlights

- The company achieved a noteworthy performance in terms of revenues and profits during the year 2022. And Humansoft Co. continued focus on the sustainability of its financial performance and thus enhance profitability through a clear plan to maintain the level of quality and efficiency.

- FY2022 and FY2021 results are not comparable because of disruptions due to Covid-19 and the changes in the academic calendar during the year 2022.

  In 2022, Revenue was KD 84.3 million, Net Profit was KD 50.7 ,EBITDA was KD 55.1 million and Earnings Per Share amounted to 417 fils.

  The operational costs in 2022 increased marginally in comparison with 2021 mainly due to increased operational activities.

Balance Sheet

Humansoft’s fortress balance sheet provides protection and resilience that enables the institution to withstand emerging challenges such as the COVID-19 pandemic.

Cash and Bank Balances as at the end of 2022 amounted to KD 80.4 million as compared to KD 84.6 million at the end of 2021.

Total assets as at the end of 2022 amounted to KD 155.6 million as compared to KD 158.6 million as at the end of 2021.

Total debts by the end of 2021 decreased to KD 2.3 million as compared to KD 4.7 million as at the end of 2021.

Shareholders’ Equity

Total equity as at the end of 2022 was KD 133.7 million, as compared to KD 131.8 million as at the end of 2021.

Average return on equity amounted to 38% in 2022 as compared to 50% in 2021.

The Board of Directors recommended not to contribute to legal and voluntary reserves, as each of them has exceeded 50% of the share capital.

Dividend

The Board of Directors recommends cash dividends of 400 fils per share and 5% bonus shares of share capital, 5 shares for every 100 paid shares subject to the approval of the shareholders at the Annual General Assembly Meeting (AGM) and regulatory bodies.

Key figures and ratios	2021	2022	Change
Revenue (KD mn)	95.9	84.3	-12%
EBITDA (KD mn)	69.1	55.1	-20%
EBITDA %	72%	65%	-7%
Net profit (KD mn)	62.6	50.7	-19%
Net Profit %	65%	60%	-5%
EPS (in fils)	514	417	-19%
Equity (KD mn)	131.8	133.7	1%
Total Assets (KD mn)	158.6	155.6	-2%

Future Strategy

Humansoft achieved notable financial results, meeting its goals for this year. The company will keep focusing in the coming years on continuously achieving its strategic goals and in enhancing revenue and profitability growth by continuing to support and develop its educational institutions through the American University of the Middle East and the American College of the Middle East projects. We will continuously strive to improve the quality of education and keep pace with the significant disruptions driven by the technological revolution and artificial intelligence. Furthermore, we will complete the launch of the College of Health Sciences at the beginning of the next academic year, as well as complete the plan of introducing new specialty programs in the College of Engineering to further meet the needs of the job market.

Humansoft will continue to pursue investment opportunities in modern technology sectors related to education and training, and invest in the General Education Sector(K-12) with the aim of diversifying sources of income and creating new revenue streams.


COLLEGE of BUSINESS
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Financial Growth over 10 years from 2012 to 2022

Humansoft strategies have resulted in generating consistently high net profit margins and maintaining a high rate of return on its equity and return on its assets.

Average dividend payout for the company has been consistently over 70% in the past five years.

Overall growth of the company in the past 10 years from 2013 to 2022 is showcased in its numbers.

The number of enrolled students grew at a CAGR of 11% over the 10 years from 2013 to 2022 from 5,348 in 2013 to 13,684 in 2022.

Total revenue for the company grew at a CAGR of 17% over the last 10-years period from KD 20.6 million in 2013 to KD 84.3 million in 2022.

Net profit for the company grew at a CAGR of 29% over the last 10-years period from KD 5.1 million in 2013 to KD 50.7 million in 2022.

The return on average shareholder's equity was 38% in 2022 and the return on average total assets was 32% in 2022.

Undertaking of the Chief Executive Officer

Gentlemen / Board of Directors

Subject: Undertaking

I the undersigned, holding the position of the Chief Executive Officer in your esteemed company, hereby confirm the safety, integrity and accuracy of the financial statements, and that the financial statements of the company(for the year ended 31 December 2022) are displayed properly and fairly, and that they display all the financial aspects of the company's data and operating results, and that they are prepared according to the International Financial Reporting standards.

Sincerely,

Dr. Georges El Yahchouchi

Undertaking of the Chief Financial Officer

Undertaking of the Chief Financial Officer

Gentlemen / Board of Directors

Subject: Undertaking

I the undersigned, holding the position of the Chief Financial Officer in your esteemed company, hereby confirm the safety, integrity and accuracy of the financial statements, and that the financial statements of the company(for the year ended 31 December 2022) are displayed properly and fairly, and that they display all the financial aspects of the company's data and operating results, and that they are prepared according to the International Financial Reporting standards.

Sincerely,

Anup Dhand

Date: 21 February 2023

Deloitte & Touche, Al-Wazzan & Co.
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Dear Sirs,

We are providing this letter to you in connection with your audit of the consolidated financial statements of Humansoft Holding Company K.S.C.P. (“the Parent Company”) and subsidiaries (“the Group”) for the year ended 31 December 2022 for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2022 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

We acknowledge on behalf of the Board of Directors our responsibility for the fair presentation of the consolidated financial statements in accordance with IFRS and accordingly, for the prevention and detection of fraud, error, violation or possible violation of Kuwaiti laws and regulations. Furthermore, we represent to the best of our knowledge and belief, the following representations made to supplement information obtained by you from the books and records of the Group and to confirm information given to you orally:

We confirm, to the best of our knowledge and belief, the following representations:

•We acknowledge our responsibilities for the implementation and operation of accounting and internal control systems that are designed to prevent and detect fraud and error. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.

•We are not aware of any significant facts relating to any frauds or suspected frauds known that may have involved (i) Management; (ii) Employees who have significant roles in internal control; or (iii) Others where the fraud could have a material effect on the consolidated financial statements.

•We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the consolidated financial statements that have been communicated to us by employees, former employees, analysts, regulators or others.

•There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or who could have a material effect on the consolidated financial statements.

•We have made available to you all books of account and supporting documentation and all minutes of meetings of shareholders and the board of directors.

•All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

•We confirm that director’s remuneration will be accounted when it is approved by the shareholders in the annual general meeting.

•We confirm the completeness of the information provided regarding the identification of related parties.

•The Group has no controlling interest, joint control or significant influence over any other entity other than the entities listed in Appendix A and Appendix B.

• We have disclosed to you the identity of the Group's related parties and all the related party relationships and transactions of which we are aware.

• Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IFRS.

• We confirm that the key management compensation as disclosed in the consolidated financial statements is correctly stated and is approved.

• The consolidated financial statements are free of material misstatements, including omissions and disclosure deficiencies.

• The Group has complied with all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of noncompliance. There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the consolidated financial statements in the event of noncompliance.

• The following have been properly recorded and, when appropriate, adequately disclosed in the consolidated financial statements:
-The identity of, and balances and transactions with, related parties.
-Guarantees whether written or oral under which the Group is contingently liable.
-Assets pledged as collateral.

• Other than those disclosed to you, we have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.

• Other than those disclosed to you, we have no plans to abandon any business segment or other plans or intentions that will result in any obsolete inventory. Furthermore, we confirm that no inventory is stated at an amount in excess of net realisable value.

• The Group has satisfactory title to all assets. We confirm that long-term loan amounting to KD 2,321,723 is secured by the guarantee of Al Arabia Educational enterprises K.S.C (Closed).

• The Group has satisfactory title to all assets and there are no liens or encumbrances on the Group's assets other than that mentioned above.

• We confirm that the plots of land owned by the Parent Company are for use as owner occupied property of the Group and not for use as investment properties. Hence, the land has appropriately been classified under property and equipment.

• Significant assumptions used by us in making accounting estimates, including those measured at fair value on the Group, are reasonable.

• We have recorded or disclosed, as appropriate, as at the consolidated statement of financial position date, all liabilities, both actual and contingent and all commitments.

• There have been no events subsequent to period end that require adjustment of or disclosure in the consolidated financial statements or notes thereto.

• We confirm that as at the consolidated statement of financial position date, the Group has adequate provisions to cover any legal claims relating to litigations in progress based on management's best assessment of the status of these claims. We also confirm that there are no legal claims or litigations in progress other than that disclosed in the legal letter provided to you. We also confirm that we have not appointed any lawyer for our subsidiaries and associate in UAE, Bahrain, State of Qatar and United States of America.

• There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

• All significant assumptions relating to fair values included in the accounts are reasonable and appropriately reflect our intent and ability to carry out planned actions on behalf of the entity that are relevant to fair value measurements or disclosures.

• Results for the period were not materially affected by unusual or extraordinary transactions not relating to the Group's normal operations, or a non-recurring nature.

• We confirm that the Management has planned to commence operations in the coming financial years of those entities, in which commercial operations have not started yet.

• We confirm that, as at the consolidated statement of financial position date, other than those assets for which impairment is already recorded, the Group's tangible and intangible assets are not impaired and there are no indications for us to believe that the tangible and intangible assets are subject to impairment.

• The Group's management is responsible for determining and maintaining the adequacy of the provision for expected credit loss and believes that the provision is adequate.

• We have consolidated all companies which are controlled by us as summarized in Appendix A.

• We have accounted all associates summarized in Appendix B (under liquidation) using the equity method. We confirm that the Group does not have substantive rights to direct relevant activities of these associates. We confirm that management accounts for the associates are accurate and complete. The same has been approved by those charged with governance of the associates.

• The Board of Directors in their meeting dated 07 September 2020 resolved to close down certain training centers and companies in Kuwait, UAE and Qatar. Accordingly, the subsidiaries as mentioned in Appendix C are under liquidation as at 31 December 2022.

• We confirm that we have assessed the Group's ability to continue as a going concern and believe that the Group will continue for the foreseeable future.

• We confirm that the expected credit loss on other receivable balance is not material.

• We confirm that the affiliation fee paid has been amortized over the period of affiliation service and the balance carried in prepaid expense will be amortized over the remaining period of affiliation service.

• The Group has performed impairment testing on intangible assets with indefinite useful lives as per IAS 36: Impairment of Assets and concluded that there is no impairment as at 31 December 2022. The recoverable amount of the cash generating unit is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

• There have been no known actual or possible material violations of laws or regulations including 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, that could have a material effect on the financial position in the event of non-compliance or violation. Furthermore, we confirm that, to the best of our knowledge and belief, the Group is not aware of any non-compliance with laws and regulations that are applicable to its subsidiaries and associate incorporated in UAE, Bahrain, State of Qatar and United States of America.

Ms. Dalal Hasan Al Sabti
Chairperson

Mr. Anup Dhand
Chief Financial Officer


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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

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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)

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.

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 note 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.

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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)

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

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.

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.

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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)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

		Kuwaiti Dinars	
ASSETS	Notes	**2022**	**2021**
Current assets			
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
		106,783,342	**106,823,464**
Non-current assets			
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
		48,837,929	**51,748,875**
Total assets		**155,621,271**	**158,572,339**
LIABILITIES AND EQUITY			
Current liabilities			
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
		15,832,715	**18,907,895**
Non-current liabilities			
Lease liabilities	12	537,274	636,933
Long-term debts	14	-	2,321,723
Provision for staff indemnity		5,507,146	4,875,317
		6,044,420	**7,833,973**
Total liabilities		**21,877,135**	**26,741,868**
Equity			
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
Total equity		**133,744,136**	**131,830,471**
Total liabilities and equity		**155,621,271**	**158,572,339**

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

		Kuwaiti Dinars	
	Notes	**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
Profit before contribution to Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		**53,357,544**	**65,763,161**
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)
Profit for the year		**50,669,086**	**62,573,616**
Basic and diluted earnings per share (fils)	25	**417**	**514**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income - year ended 31 December 2022

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

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

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
OPERATING ACTIVITIES			
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)
Net cash generated from operating activities		**45,196,444**	**65,448,544**
INVESTING ACTIVITIES			
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
Net cash from/(used in) investing activities		**22,583,260**	**(16,197,163)**
FINANCING ACTIVITIES			
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)
Net cash used in financing activities		**(51,100,704)**	**(55,066,525)**
Net increase/(decrease) in cash and cash equivalents		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
Cash and cash equivalents at end of the year	4	**27,621,289**	**11,029,957**

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

Notes to the Consolidated Financial Statements - 31 December 2022

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 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	Amendments to IFRS 3, 'Business combinations' 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 Amendments to IAS 16, 'Property, plant and equipment' 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. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'- Cost of Fulfilling a Contract 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). 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'.	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 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	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. Note that the IASB has issued a new exposure draft proposing changes to this amendment. 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.	Deferred until accounting periods starting not earlier than 1 January 2024

Standard, interpretation, amendments	Description	Effective date
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	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. 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.	Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the consolidated financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	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.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	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.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. 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. 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.	Annual periods beginning on or after 1 January 2023.

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 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:

	Years
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.

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 a 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.

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
	80,441,222	**84,632,720**

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)
	24,142,503	19,820,550
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
	26,330,825	**21,647,878**

	31 December 2022			31 December 2021		
Ageing buckets	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expect-ed 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
	25,001,871		**859,368**	**20,604,169**		**783,619**

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 and other receivables portfolio into three subgroups namely: 'receivables from Government related entities', 'receivables from corporates' and 'receivables from individuals'.

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

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

	Kuwaiti Dinars			
	2022			
	Receivables from Government related entities	**Receivables from corporates**	**Receivables from individuals**	**Total**
Balance at beginning of the year	1,672	22,207	759,740	783,619
Net ECL charge/(reversal)	-	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			
	2021			
	Receivables from Government related entities	**Receivables from corporates**	**Receivables from individuals**	**Total**
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	
	2022	**2021**
Kuwaiti Dinars	27,104,770	22,216,670
UAE Dirham	22,529	39,743
Other currencies	62,894	175,084
	27,190,193	**22,431,497**

The other classes within trade and other receivables are neither past due nor impaired and ECL on these balanc-es 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	
	2022	**2021**
Compensation of key management personnel		
Short-term benefits	417,770	566,944
Post-employment benefits	27,893	34,439
	445,663	**601,383**

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
	6,662	**537,747**

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	**6,662**	**328,303**
Total revenue	-	-
Loss for the year	(4,247)	(7,462)
Group's share of results	**(1,699)**	**(2,985)**

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	705,326	820,147

9. Property and Equipment

	Kuwaiti Dinars							
	Freehold land	Building and leasehold land improvements	Computers and peripherals	Furniture, fixtures and decoration	Equipment	Library Books	Capital work in progress ("CWIP")	Total
Cost								
Balance as at 31 December 2020	**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)
Balance as at 31 December 2021	**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
Balance as at 31 December 2022	**5,297,030**	**56,742,329**	**1,927,748**	**2,109,248**	**4,176,502**	**89,289**	**63,328**	**70,405,474**
Accumulated depreciation and impairment losses								
Balance as at 31 December 2020	-	**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)
Balance as at 31 December 2021	-	**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
Balance as at 31 December 2022	-	**21,479,698**	**1,779,707**	**2,033,118**	**3,800,812**	**89,173**	-	**29,182,508**
Carrying amount								
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**

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
Cost							
Balance as at 31 December 2020	**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)
Balance as at 31 December 2021	**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
Balance as at 31 December 2022	**-**	**6,752,000**	**1,266,823**	**91,000**	**132,010**	**53,725**	**8,295,558**
Accumulated amortisation and impairment losses							
Balance as at 31 December 2020	**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)
Balance as at 31 December 2021	**1,822,452**	-	**1,318,913**	**144,9555**	**104,763**	-	**3,391,083**
Charge for the year	-	-	53,084	-	6,363	-	59,447
Write off	***(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
Balance as at 31 December 2022	-	-	**1,193,244**	**91,000**	**101,677**	-	**1,385,921**
Carrying amount							
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
	5,392,538	**5,910,424**

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

	2022	2021
Kuwaiti Dinars	5,388,600	5,910,424
Other currencies	3,938	-
	5,392,538	**5,910,424**

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	**738,245**	**844,265**
Current	200,971	207,332
Non-current	537,274	636,933
	738,245	**844,265**

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
	2,321,723	**4,721,723**

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
	15,085,793	**14,602,599**

20. General and administrative expenses

	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
	14,780,934	**14,178,244**

21. Selling expenses

	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
	2,695,194	**2,191,095**

22. Contribution to KFAS

This represents contribution to the Kuwait Foundation for Advancement of Science ("KFAS") computed at 1% of profit for the year after transfer to statutory reserve and set off of accumulated losses brought forward. Provision for contribution to KFAS for the year is KD 538,870 (2021: KD 663,457) which represents KFAS payable of Al Arabia Educational Enterprises Company K.S.C. (Closed).

23. National labour support tax ("NLST")

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

24. Zakat

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

25. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated as follows:

	Kuwaiti Dinars	
	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**
Basic and diluted earnings per share (fils)	**417**	**514**

26. Segmetnt 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
2022			
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**
Assets			
Segment total assets	**147,090,970**	**8,530,301**	**155,621,271**
Liabilities			
Segment total liabilities	**19,311,803**	**2,565,332**	**21,877,135**

	Kuwaiti Dinars		
	Higher education	Others	Total
2021			
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	**65,128,302**	**(2,554,686)**	**62,573,616**
Assets			
Segment total assets	**148,229,140**	**10,343,199**	**158,572,339**
Liabilities			
Segment total liabilities	**23,866,727**	**2,875,141**	**26,741,868**

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	
	2022	**2021**
Commitments		
Capital commitments for construction	87,241	54,411
Contingent liabilities		
Letters of guarantee	2,147,646	1,481,893

28. Financial risk management

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

Financial risk factors

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

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

a) Market risk

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

(i) Currency risk

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

The Group's exposure to currency risk is 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	
	2022	**2021**
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
	105,312,119	**105,255,091**

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				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
At 31 December 2022					
Financial liabilities					
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
	8,545,227	**156,676**	**400,502**	**190,603**	**9,293,008**
Contingent liabilities					
Letters of guarantee	848,332	1,298,314	1,000	-	2,147,646
Commitments					
Capital commitments for construction	87,241	-	-	-	87,241

	Kuwaiti Dinars				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
At 31 December 2021					
Financial liabilities					
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
	9,422,308	**2,510,108**	**470,028**	**277,753**	**12,680,197**
Contingent liabilities					
Letters of guarantee	1,080,893	400,000	1,000	-	1,481,893
Commitments					
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 – 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 fils). 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.