

HUMAN **SOFT**

Empowering People Through Knowledge

— HOLDING (K.S.C.P) —

ANNUAL REPORT

Year 2023





HH Sheikh
Mishal Al-Ahmad Al Jaber Al Sabah
Amir 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 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 at that time.


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 local regulatory requirements. Thus, the American University of the Middle East (AUM) and the American College of the Middle East (ACM) came into existence. 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 which is the largest in the private universities in Kuwait.

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 is as strong as ever. And it is there for all to see both on our AUM and ACM campus, 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.



ABOUT HUMANSOFT

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



AT GLANCE

13,400+

Enrolled students

Over 60%

Female Students

19,500+

Alumni

261,190

Square meter
campus

1200+

Trees planted on campus

28

Offered programs

75+

Engineering Labs

Over 30

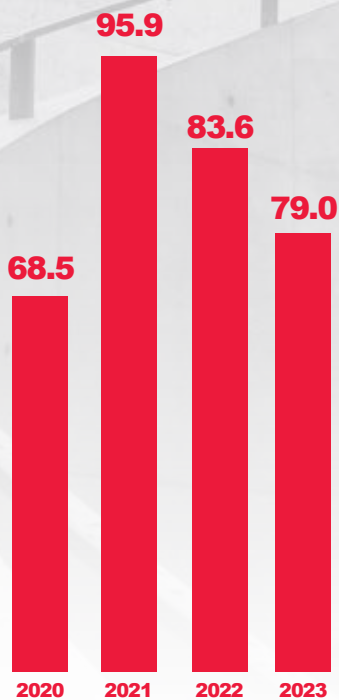
Sports Achievements
in last 5 years

Over 150

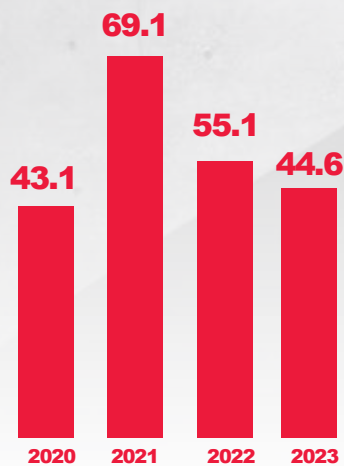
Community Engagement
Initiatives since 2020

Over 60

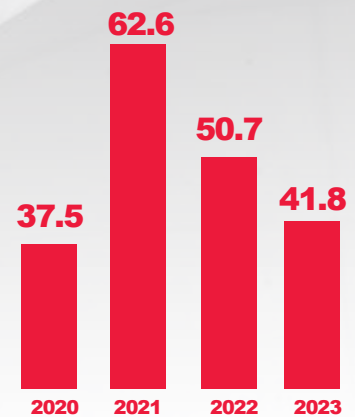
Represented nationalities



Revenue (KD mn)



EBITDA (KD mn)



Net Profit (KD mn)

About Humansoft
At Glance

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STRATEGY

CHAIRPERSON'S STATEMENT

Dalal Hasan Al Sabti

Chairperson of the Board of Directors

Dear Shareholders, our partners in excellence

It is my pleasure to present to you on behalf of my fellow members of the Board of Directors and myself, the Annual Report of Humansoft Holding Company, for the fiscal year ending December 31, 2023.

Today, we are proud of the accomplishments and successes we have achieved, and we are committed to continuing our efforts to achieve further progress and growth while always adhering to the best practices to achieve sustainable growth. We will put forth our best efforts to support and develop our human resources and continue investing in modernizing the digital infrastructure. We will work with all our energy to achieve our strategy, enhance our assets, and seize appropriate opportunities that contribute to increasing efficiency and profitability and creating greater value for our shareholders.

Since our inception, we have strived to incorporate the highest standards of excellence and leadership in our educational institutions, while being keen on following a sustainable approach that supports progress and development, which can only be achieved through planning, insightful vision, and perseverance.

Pioneering Role in Economy and Education

Humansoft Holding's stock continues to attract the attention of local, regional and international portfolios and funds, with the company cementing its role as an active institution in the economic and educational sectors. Humansoft is exerting every effort to enrich its journey by providing the best successful practices in managing its affiliated institutions, achieving sustainability and developing the educational sector. In consequence, it is providing society with specialized cadres of excellent cognitive and professional competencies, capable of real and long-term achievements in various fields.

Financial Performance

In 2023, Humansoft witnessed a remarkable growth in revenues and profits. It continued its focus on the

sustainability of its financial performance, thus enhancing profitability through a clear plan to maintain the same level of quality and efficiency.

Commitment to Applying the Highest Standards of Governance

Humansoft is a firm believer in the proper application of governance rules and principles and conducting its business with transparency and clarity. We believe that business success and sustainability go hand in hand and good governance is the key to achieving sustainable development within the company. As such, Humansoft continues to strengthen and develop its processes with periodic reviews of board and corporate governance policies.

Implementing Our Strategy

We always strive to leave a positive impact on the communities in which we operate, especially within the rapidly evolving global landscape. This endeavor is supported by our outstanding financial results which we have achieved through hard work and dedication to enhance the company's regional and global standing through our organizations. During the year 2023, Humansoft continued to focus on its strategic objectives, creating a competitive advantage through its subsidiaries and educational institutions. From the outset, the company has been keen to provide quality education through the American University of the Middle East (AUM) and the American College of the Middle East (ACM) to remain the first choice for students. To achieve this goal, Humansoft has focused on the following:

A) Academic Excellence

Humansoft has always focused its attention on establishing a distinctive educational institution that will be an added value to the higher education sector in the State of Kuwait. Efforts to achieve high positions in international rankings and accreditations, as well as to strengthen international partnerships, were exerted as strategic objectives to achieve academic excellence, elevate AUM's name, and solidify its position and competitive edge in the higher education sector in Kuwait and the region.

Chairperson's Statement

The American University of the Middle East has obtained global institutional accreditation from the Quality Assurance Agency for Higher Education in the United Kingdom, in addition to ABET and AACSB accreditations for the various programs at the College of Engineering and Technology and the College of Business Administration.

Moreover, AUM has maintained its first position among local public and private universities in international rankings, such as Quacquarelli Symonds (QS), Times Higher Education (THE) and UI GreenMetric World University Rankings. It has also strengthened its partnerships with key global entities in the field of education and launched its first peer-reviewed scientific journal, aiming to provide a platform for researchers and academics around the world to disseminate high-quality scientific research and exchange knowledge and ideas.

B) Operational Efficiency

HumanSoft is always keen to maintain the quality of its operational efficiency by continuously looking for opportunities to develop its infrastructure in terms of technology, facilities, policies and systems, as well as investing in human resources to increase efficiency. This will allow the company to meet any future challenges that it may face.

C) Value to Shareholders

The Board of Directors recommends distributing cash dividends of 350 fils per share, in addition to distributing free bonus shares at a rate of 5% of the capital; that is five (5) shares for every 100 paid shares. This recommendation is subject to the approval of the shareholders at the Annual General Assembly meeting and the approval of the regulatory authorities.

Humansoft market capitalization amounted to approximately KD 434.2 million on December 31, 2023, rendering the company one of the largest premier market companies on Boursa Kuwait.

Future Objectives

As stated in the Board of Directors' report for the fiscal year ending December 31, 2023, Humansoft has continued its success and achieved outstanding financial results for the year 2023. Following on the same path of achievements and progress, it will implement the company's roadmap to fulfill its strategic plan.

- From a short-term perspective, Humansoft's strategy in previous years focused on not dispersing resources in various new projects but focusing all these resources instead on the American University of the Middle East and the American College of the Middle East and enhancing their efficiency and academic standing, so as to directly achieve the highest returns from these existing projects. This has already been achieved, establishing a level of efficiency that enables AUM to continue to attract outstanding students and gain a competitive advantage in the long term.

As a result of this approach: the American University of the Middle East succeeded in obtaining international academic accreditations and advancing in international rankings. Thus, it surpassed local universities and placed significantly ahead, and also progressed ahead of the several prestigious Arab universities.

The American University of the Middle East has announced the launch of the College of Health Sciences and is currently in the process of completing the final stage with the official authorities to start offering bachelor's degrees in nursing, nutrition and medical laboratories. This step increases the options available to students, diversifying our sources of revenue. Needless to say, the establishment of the College of Health Sciences is a crucial and vital step in the field of health education that will lead to expanding scientific research and innovation in the health sector. This will result in qualifying young professionals to work in the health sector in Kuwait and the region, empowering them with the most in-demand skills and the needed experience according to the latest modern technology.

Chairperson's Statement

Furthermore, the American University of the Middle East is working on the final stages with the official authorities to begin offering a master's degree in engineering disciplines. This strategic step is created by AUM's relentless efforts to deepen scientific research in the fields of engineering, enhance its research and scientific standing and achieve sustainable progress. It comes in response to the major trend in the global market sector to focus on artificial intelligence and energy sources.

In the long-term perspective: Humansoft's strategy is to invest our expertise and financial and human resources in searching for new opportunities in the fields of education, human development and technology, so as to diversify sources of income and enhance the company's position as a leading company in the field of education and human development in Kuwait and the region.

Sustainability and Social Responsibility

Social responsibility has always been an integral part of Humansoft's strategy, ensuring consistency with the company's core values. Therefore, Humansoft launches social initiatives and builds strategic partnerships with institutions that adopt the same philosophy. Being a leading company in the sectors of education, training and knowledge transfer, the company strives to provide a work environment that allows people to thrive and feel valued, respected and included by providing them with resources to develop their skills and expertise as well as supporting volunteer efforts in the community.

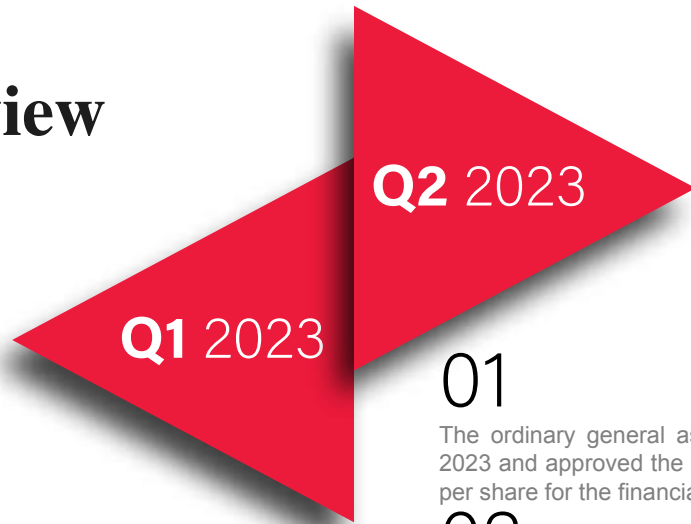
Sustainability is a fundamental concept within Humansoft's strategy, vision, values, and core themes that meet the aspirations of all stakeholders. For this reason, the company has updated its approach towards sustainability, environmental responsibility, social responsibility and governance to meet the best global and international standards and practices and as a result achieve sustainable development goals.

Acknowledgement and Appreciation

The Board of Directors would like to extend its sincere thanks and appreciation to all those who contributed and participated in attaining these achievements and successes, in their various positions. I would like to particularly mention our customers and partners, who enabled Humansoft to achieve this outstanding performance, and our shareholders for their trust in the company and their support. I would also like to acknowledge my fellow members of the Board of Directors, the entire executive management team and all subsidiaries' staff for their effective contribution and the efforts exerted towards achieving the company's goals and future aspirations. Our thanks and appreciation are also extended to the banks that the company deals with and to the various regulatory authorities in the State of Kuwait, which have demonstrated a high level of competence.

Finally, we look forward to a new year full of new achievements and successes.

Year in-Review



01

AUM hosted the QS Higher Ed Summit Middle East & Africa 2023 under the theme “Envisioning a meaningful future: Purpose-driven higher education in the Middle East and Africa” from March 12 to 14, 2023.

02

AUM and ACM communities gathered to celebrate the success of their 2022 graduates, at the Cultural Center.

03

AUM hosted the Global Symposium for Entrepreneurship Educators (SEE) - MENA Region Edition in collaboration with Babson College. Participants from the region and Kuwait connected to learn about the latest trends in entrepreneurship education.

04

Kuwait Top Entrepreneurs 2023 Forum by Forbes Middle East and Qabas in collaboration with AUM was held in March 2023.

05

Third edition of AUM Startup Challenge 2023 took place during Spring semester and exhibited students’ innovative projects tackling UN SDGs.

06

Annual concert for Students and other festivities for Kuwait National and Liberation Days was held at AUM and ACM campus.

07

Humansoft participated in the 17th edition of the EFG Hermes One-on-One Conference, dedicated to frontier and emerging markets (FEM) that took place from the 6th to 9th of March 2023 at Dubai.

08

AUM celebrated creatives and intellectuals in “Al Multaqa Prize for the Arabic Short Story” Award ceremony.

Q2 2023

01

The ordinary general assembly meeting was held on April 2, 2023 and approved the distribution of cash dividends of 400 fils per share for the financial year 2022.

02

Extraordinary General Assembly Meeting was held on April 09, 2023 and approved the distribution of 5% bonus shares.

03

For the third year in a row, the American University of the Middle East (AUM) has been ranked the first university in Kuwait by QS World University Rankings 2024. This new ranking placed AUM at #671-680 globally.

04

AUM was ranked #1 University in Kuwait and in #401-600 globally in the Overall Ranking of THE Impact Rankings 2023 that assess universities against the United Nations’ Sustainable Development Goals (SDGs).

05

AUM Glassees’ student team won the 2nd Place worldwide and the 1st in the Middle East in the Babson’s Global Student Challenge, a global competition by Babson addressing the UN SDGs. The team was selected from 2200+ students from 22 universities across 17 countries.

06

AUM held its ninth annual Career Fair that connects students and alumni with top employers through a wide range of networking opportunities, such as booths exhibition, on-spot interviews, workshops and seminars by local and international experts.

07

AUM hosted the Corporate Awards Ceremony in its second edition to honor an outstanding selection of leaders and leading local and international companies from private and public sectors in Kuwait.

08

AUM Innovation Fair 2023 and Awards Ceremony was held recognizing students innovative works.

09

Humansoft participated in Investors conference held in London by Morgan Stanley in May 2023.

10

Humansoft participated in Bursa Kuwait’s tenth Corporate Day in GCC Exchanges London Conference in June 2023, held in collaboration with HSBC.

Year in-Review

Q3 2023

Q4 2023

01

AUM has been ranked #1 University in Kuwait and #25 in the Arab Region in the latest QS Arab Region University Rankings in which the University is steadily advancing from #34 in 2022 to #26 in 2023 and #25 in 2024.

02

The new academic year 2023-2024 was marked with a vibrant and welcoming environment where new students were provided with orientation and guidance on all the aspects of academic life, courses and campus life. In addition, an Open Day was hosted for all students to introduce them to the diverse range of student clubs.

03

AUM Faculty members kick-started the new academic year with a Professional Development Day under the theme of Mastering Instructional Technologies.

04

On the occasion of the World Sustainability Day, AUM organized a Campus Tree-Planting activity and to promote environmental awareness among the community and support the UN Sustainable Development Goals (SDGs).

01

For the third year in a row, AUM has been ranked #1 in Kuwait in THE Arab University Rankings, with rank #21 in the Arab countries.

02

AUM continues to be ranked as the most Sustainable and Green University in Kuwait, advancing to #229 worldwide, and Top 4 in the Gulf Region.

03

AUM has successfully obtained global accreditation having completed the International Quality Review (IQR) by the Quality Assurance Agency for Higher Education (QAA).

04

AUM Staff Development Department, organized an awareness campaign for our faculty and staff under the title: "Embracing Pink October".

05

AUM and ACM celebrated Faculty milestones and achievements through AUM Research Impact Award and ACM Faculty Awards Ceremonies.

06

Youth Leadership Development Conference powered by AIESEC titled "2023 Vivid Leadership" was held at AUM.

07

AUM Participated in Gulf Petrochemicals and Chemicals Association Youth Forum in Qatar and Signed a Memorandum of Understanding with GPCA.

08

AUM was the primary sponsor for the 6th Children's Science Exhibition organized by the Kuwait Institute for Scientific Research.

09

Beat Diabetes Day including Walkathon, sharing experiences and support awareness campaign was organized on the campus.

10

Humansoft participated in Jefferies Kuwait Corporate Day held in participation with Boursa Kuwait at Dubai in November, 2023.

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.

The international accreditations and the ranking that we are proud:

AUM



Engineering Accreditation Commission



Computing Accreditation Commission



ACM



Engineering Technology Accreditation Commission



CEO'S MESSAGE

Georges Yahchouchi, PhD

Chief Executive Officer – HumanSoft

President – American University of the Middle East (AUM)

A Commitment to Innovation, Growth, and Sustainable Impact

As Humansoft Holding reflects on the conclusion of the year 2023, it is with pride and satisfaction that we present its achievements. This year has been marked by strategic endeavors that elevate our positioning and impact within the local and regional H.Ed. landscape.

As a leading company in the higher education sector, Humansoft, with its mission-driven institutions (AUM and ACM), is providing a benchmark for responsible governance, innovation, and sustainable impact on society.

Empowering the Community with AI and Entrepreneurship

In line with a confirmed strategy to reinforce its leadership in the AI transformation in Kuwait and the region, AUM pioneered various initiatives that aimed at embracing AI technologies in upgrading learning and research activities.

The university pursued its digital transformation plan while benefiting from AI technologies in advancing educational practices and academic integrity. Furthermore, we strengthened our partnership with the University of California, Berkley. In 2023, we extended our Certification Program in AI and Entrepreneurship to the second batch of students, providing them with a cutting-edge foundation for success in an AI-driven world.

This year witnessed also a special attention to entrepreneurship. In line with our partnership with Babson Collaborative, three winners of the AUM Startup Challenge have participated in the Babson Global Challenge 2023 where their innovative ideas were selected between the top finalists among 163 participants from 22 universities across 17 countries.

Advancing Research and Innovation

The year 2023 was also marked by the focus on research and innovation. The research productivity at AUM has witnessed substantial annual growth. In 2022-2023, 79% of AUM publications are in the top 50% of journals in the world. This reflects a continuous commitment of AUM faculty members and researchers toward involvement in high-quality research projects and publications.

The American University of the Middle East takes pride in the achievement of several faculty members for being named in Stanford's list of the World's Top 2% Scientists.

Leading Rankings Positioning and World-Class Accreditations

AUM and ACM initiatives and achievements have contributed to the rise of AUM's reputation regionally and globally. For the third year, AUM has sustained its positioning as the number 1 University in Kuwait by THE (Times Higher Education) Arab University rankings. AUM is also ranked as the number 1 University in Kuwait in QS (Quacquarelli Symonds) Arab region rankings. AUM has sustained its positioning as the number 1 University in Kuwait for the third year in a row by QS (Quacquarelli Symonds) World University Ranking. Additionally, in the "Subject Ranking", which benchmarks institutions' performance in specific subjects, AUM was ranked the position 322 globally, 10th in the Arab world and 7th in the Gulf region in Social Sciences and Management and has been ranked 371 globally, 18th in the Arab world and 11th in the gulf region in Engineering and Technology.

One of the greatest achievements for AUM in 2023 is obtaining a prestigious institutional accreditation by the Quality Assurance Agency for Higher Education (QAA). Based in the UK, QAA is a world-leading quality assurance agency with an unmatched experience of providing impartial regulatory and collaborative quality assurance and enhancement.

Dedication to SDGs

At AUM and ACM, we pride ourselves on making a positive impact on our local and global community. We are committed to aligning our strategies, policies, and initiatives with the United Nations' Sustainable Development Goals (SDGs).

2023 has witnessed a confirmation of AUM's remarkable focus on the achievement of UN SDGs through its research activities. The research productivity of papers indexed in Scopus/Scival shows clearly the contribution of AUM's research to all SDGs. AUM has also secured the first position in Kuwait in Times Higher Education Impact Rankings 2023. This ranking represents the global performance tables that assess universities against the United Nations' Sustainable Development Goals (SDGs).

In addition, AUM has been ranked as the most Sustainable and Green University in Kuwait for the third year running, according to the UI GreenMetric World University Rankings 2023. Compared to the previous year, AUM has advanced up 8 places to the 229th worldwide, making it to the 4th Most Sustainable and Green University in the Gulf Region and 17th in the Arab Region

Hub of H.Ed. Global Events and World-Class Partnership

Chosen as the central hub for academic discourse on the future of higher education, AUM stands as one of the foremost institutions in the region. AUM hosted the QS Higher Ed Summit Middle East & Africa 2023 under the theme "Envisioning a meaningful future: Purpose-driven higher education in the Middle East and Africa". During three days, hundreds of higher education leaders, experts and stakeholders discussed Higher Education trends in the region, and offered their perspectives on some of the most pressing issues facing higher education today.

Additionally, AUM also hosted the Global Symposium for Entrepreneurship Educators (SEE) - MENA Region Edition in collaboration with Babson College. Participants from the region and Kuwait connected to explore the latest trends in entrepreneurship education. At the Graduate level, the AUM-MBA Dual Degree program in partnership with HEC Montreal, has

embarked for a third year on a successful journey throughout the academic year

A commitment to Continuous Growth and Excellence

During this year full of achievements, one of our key investments was directed toward preparing state of art labs within the future College of Health Science. We have equipped new labs with the latest technology to provide a world-class leading experience in Health Science.

As we embark on 2024, Humansoft Holding looks ahead with strong optimism. The strategic achievements of 2023 serve as a robust foundation for future growth, and we are excited about the opportunities and initiatives that will drive us even further in the coming years.

We will continuously strive for Excellence, Sustainable impact, and Growth.

**Environmental,
Social, and
Governance
(ESG)**

HumanSoft Holding Company continues to consolidate its role as an effective institution in economic and educational sectors, and to make efforts to enrich its path by providing the best successful practices in managing its subsidiaries, achieving sustainability, supporting cultural diversity among its employees and empowering them professionally, as well as developing the education sector; thus, providing society with specialized cadres with high cognitive and professional competencies capable of achieving real and long-term achievements in various fields.

In light of the increasing importance of applying governance in economic activity, HumanSoft not only encouraged its subsidiaries to apply it, but also moved to expand its application of this system at the internal level of the company, as one of the foundations of the success and continuity of relations between the company and shareholders. It also confirmed its constant keenness to follow the governance system in accordance with international standards from the perspective of a culture and work style that is compatible with supervisory and regulatory requirements, and to meet the needs and aspirations of stakeholders

Environment

Adopting a culture that promotes sustainability is core to the philosophy of HumanSoft and its subsidiaries. In line with the belief of both institutions that protecting the environment is an integral part of correct educational practices, the American University of the Middle East (AUM) and the American College of the Middle East (ACM) have approved the launch of a number of initiatives aimed at reducing paper and plastic waste, and organizing activities related to recycling operations, in addition to using zero-emission vehicles and preserve green spaces. It is worth noting that AUM is a member of the "Principles for Responsible Management Education (PRME)" initiative, and has been classified as the most sustainable and environmentally friendly university in Kuwait by the UI GreenMetric World University Rankings.

- AUM ranks first locally in UN Sustainable Development Goals (SDGs), and reflects the model of a socially responsible educational institution committed to the SDGs through research, education and activities.
- Increase in the proportion of sustainability-specific

publications in the last three years a 51% increase in special indexed publications that contribute to one or more of the SDGs, and an increase in the proportion of contributions to the SDGs by indexed publications to 60%.

- Collaborate, influence and engage with various members of the community: QS Summit 2023, AUM Startup Challenge 2023, planting trees on campus on World Sustainability Day, and other events.

Social

HumanSoft works to maintain a healthy work environment with the aim of attracting and retaining talent and experience. It is also keen to support faculty and staff by encouraging diversity and inclusion, providing support for research activities, and providing professional development opportunities. It organizes social events and various activities for the purpose of education and entertainment to maintain the health and well-being of everyone. It is worth noting that the company includes a workforce of more than 800 employees from more than 60 different countries, and the number of female students constitutes 60%.

HumanSoft believes that human resources are the basis of its success, and acknowledges the importance of the effort made by its staff in implementing its commitments and philosophy. Therefore, it is keen to continuously invest in enriching its human resources by enrolling its employees on a permanent basis in training and development programs that enhance their potential and capabilities. This is not limited to skills related to work and health only, but also includes other important topics.

HumanSoft provides an integrated work environment that includes basic facilities that serve all individuals on the university campus, such as walking paths, special paths for wheelchairs, elevators, special transportation services for people with special needs. Thus, it is keen to ensure that all its initiatives are consistent with three of the most important United Nations Sustainable Development Goals (SDGs), which are: The third goal: good health and well-being; The fifth goal: gender equality. The tenth goal: reducing inequality.

Best Practice Corporate Governance

Human Soft believes that the correct application of governance principles and standards is the basis for maintaining the trust that partners give it. Therefore, the company moved to expand the application of this concept by enhancing and developing governance processes and practices in a work style that is compatible with supervisory and regulatory requirements, and meeting the needs and aspirations of stakeholders. With full compliance by the Board of Directors and Executive Management with the rules set by the Capital Markets Authority.

Corporate governance at HumanSoft aims to:

- Maintaining the performance of the Board of Directors and executive management.
- Maintaining the integrity of the company.
- Contributing to the strength and continuity of the company's leadership.
- Enhancing long-term development opportunities and business profitability.

HumanSoft's policies fully comply with the regulations and requirements of the Capital Markets Authority, with its governance framework subject to these regulations and requirements.







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.

Humansoft has strengthened its governance framework by enhancing management procedures, improving its internal control systems, and embedding the concepts of transparency and administrative responsibility in its operations. At Humansoft, governance is not only about adhering to laws and regulations, but also about building a culture of ethics, integrity and management responsibility.

Governance Framework

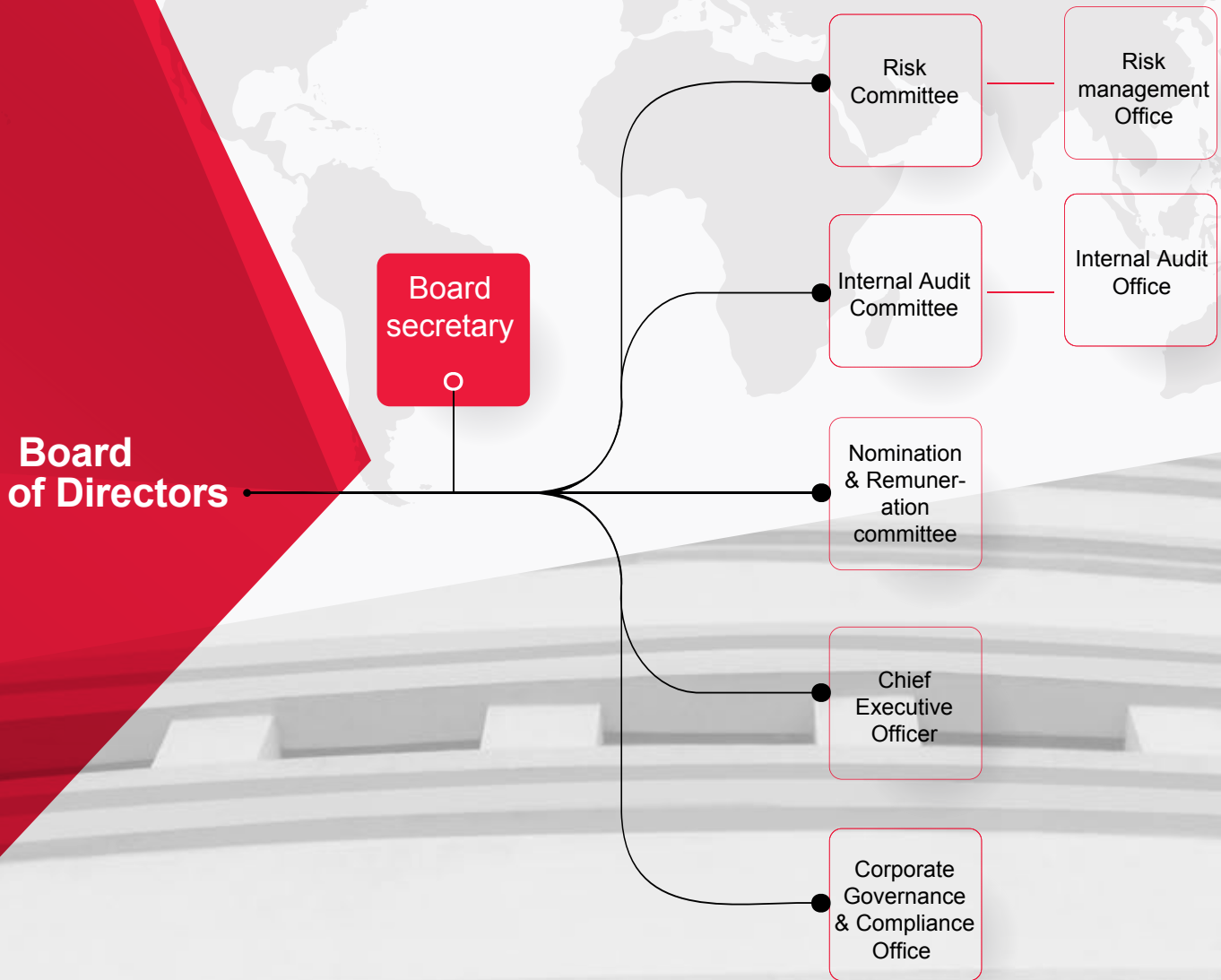
Construction of a Balanced Board composition

•Brief on the formation of the Board of Directors:

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	<ul style="list-style-type: none"> - University degree - Bachelor in Management Information System - More than 20 years of experience 	20 March 2022
Mr. Tareq Fahad Al Othman	Non-executive	<ul style="list-style-type: none"> - University degree - Bachelor in Accounting - More than 17 years of experience 	20 March 2022
Mr. Mayank Hasmukhlal Baxi	Non-executive	<ul style="list-style-type: none"> - University degree - Bachelor in Commerce - Chartered Accountant (CA) - More than 28 years of experience 	20 March 2022
Mr. Abdulrazzaq Abdullah Mohammad	Independent	<ul style="list-style-type: none"> - University degree - Master in Law - More than 43 years of experience 	20 March 2022
Mr. Hasan Qasem Al Ali	Non-executive	<ul style="list-style-type: none"> - University degree - Bachelor of Business Commerce - More than 23 years of experience 	20 March 2022
Mrs. Nisreen Yasser Rashid	Board's Secretary	<ul style="list-style-type: none"> - University degree - Bachelor of Science in Computer Science and Mathematics - More than 18 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 2023

	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: 07/02/2023	✓	✓	✓	✓	✓
Meeting No.(2) Date: 21/02/2023	✓	✓	✓	✓	
Meeting No.(3) Date: 23/02/2023	✓	✓	✓	✓	✓
Meeting No.(4) Date: 09/05/2023	✓	✓	✓	✓	✓
Meeting No.(5) Date: 25/05/2023	✓	✓		✓	✓
Meeting No.(6) Date: 08/06/2023	✓	✓	✓	✓	✓
Meeting No.(7) Date: 13/08/2023	✓	✓	✓		✓
Meeting No.(8) Date: 20/09/2023	✓	✓	✓	✓	✓
Meeting No.(9) Date: 27/09/2023	✓	✓	✓	✓	
Meeting No.(10) Date: 13/11/2023	✓	✓	✓	✓	✓
Meeting No.(11) Date: 13/12/2023	✓	✓	✓	✓	✓
No. of Meetings	11	11	10	10	9

*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 and make sure they receive these invitations.
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. Maintaining all policies approved by the board of directors.
8. Ensuring the board's commitment to corporate governance.

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 chair 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 permanent and continuous evaluation of the application of governance processes and standards is considered one of its most important responsibilities.

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, reviewing and approving company policies.

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 profit of 41,778,296 KD (Forty-one Million seven hundred seventy-eight thousand two hundred ninety-six Kuwaiti dinars only), in the fiscal year 2023.

We also highlight the most important tasks that the Board of Directors carried out during this year for example but not limited to:

- 1- Approval of the company's annual and quarterly Financial Statements.
- 2- Approval of distributing cash dividends of 400% of the nominal value of the share (400 fils per share) for the fiscal year ending on 31/12/2022.
- 3- A free bonus shares were distributed at a rate of 5% of the paid-up capital (5 shares for every 100 shares) for the financial year ending on 31/12/2022.
- 4- Some articles of the Memorandum of Association and Articles of Association have been amended in accordance with the applicable laws and regulations.
- 5- Approval of the governance report In line with the requirements of the Capital Markets Authority.
- 6- Discussing the Audit committee's recommendation for appointment of the auditors for the fiscal year ending on 31/12/2023.
- 7- 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.
- 8- Approval of the key performance indicators (KPIs) for evaluating the Board of Directors and each of its committees.
- 9- 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, 2022 and following up on the implementation of the approved strategies and plans.

10- Approval of the general framework for risk management and the risk register submitted to the Board of Directors by the Risk Management Committee.

11-Discussing and approving the risk appetite and studying any potential effects on the company.

12- Approval of the estimated budget for the year 2023.

13- Review and approve the sustainability plan.

14- Discussing the company's future strategy.

15- Review and discuss Integrated Reports.

16- Discussing the progress report of the Risk Management Office submitted to the board of directors by the Risk Management Committee; also, discussing and approving the reports of the Internal Audit Office submitted by the Audit Committee.

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-4	Number of meetings-5	Number of meetings-1

1- Name of the Committee: The Internal Audit Committee

The committee consists of three members. The committee held Four meetings during the past year

	Mr. Tareq Fahad Al Othman (Chairman of the committee)	Mr. Abdulrazzaq Abdullah Mohammad (Independent member)	Mr. Hasan Qasem Al Ali (Member)
Meeting No.(1) Date: 21/02/2023	✓	✓	
Meeting No.(2) Date: 09/05/2023	✓	✓	✓
Meeting No.(3) Date: 13/08/2023	✓		✓
Meeting No.(4) Date: 13/11/2023	✓	✓	✓
No. of Meetings	4	3	3

-The tasks and achievements of the committee during the year:

Its role is to assist the Board of Directors in carrying out supervisory and control tasks. The company's internal regulations and policies stated the responsibilities and powers of the Audit Committee which include implementing internal control systems, their adequacy, the integrity of accounting reports and internal audit reports,

Its powers include ensuring the performance of the internal audit unit, reviewing the results of the internal audit reports, technical supervision of the internal audit department, reviewing its reports and verifying its effectiveness in carrying out the work and tasks specified by the Board of Directors. It also reviewing the observations of the external auditor on the company's financial statements (if any) and follows up on them, studies the accounting policy adopted, giving its opinion on it, and submits their recommendations to the Board of Directors.

As well preparing reports and providing appropriate recommendations and plans and submit them to the Board of Directors for approval. The committee achievements include for example but not limited to:

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 auditor 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 2024.
7. Evaluate the internal office manager and ensure that his role is performed effectively.
8. 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 committee consists of three members. The committee held five meetings during the past year.

	Mr. Abdulrazzaq Abdullah Mohammad (Chairman of the committee)	Mr. Tareq Fahad Al Othman (Member)	Mr. Mayank Hasmukhlal Baxi (Member)
Meeting No.(1) Date: 23/03/2023	✓	✓	✓
Meeting No.(2) Date: 07/06/2023	✓	✓	✓
Meeting No.(3) Date: 25/09/2023	✓	✓	✓
Meeting No.(4) Date: 02/10/2023	✓	✓	✓
Meeting No.(5) Date: 04/12/2023	✓	✓	✓
No. of Meetings	5	5	5

- The tasks and achievements of the committee during the 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,

It also prepares reports and policies for the Risk Office that are approved by the Board of Directors.

Responsibilities of the Risk Management Committee is to Prepare and review the risk strategies and policy before getting the approval by the board of directors, also Ensure that risk strategies and policy are compatible with the nature and size of the company's activities. As well, ensuring the availability of adequate resources and systems to manage risks and evaluating systems and mechanisms for identifying, measuring and following up on the various types of risks to which the company may be exposed to in order to identify their shortcomings. Helping the board of directors to determine and evaluate the acceptable level of risk in the company and ensuring that the company does not exceed this level of risk after its approval by the board of directors. also Reviewing the organizational structure for risk management and make recommendations regarding it before getting the approval by the board of directors.

and of its achievements for examples and not limited to:

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.

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 .

	Mr. Tareq Fahad Al Othman (Chairman of the committee)	Ms. Dalal Hasan Al Sabti (Member)	Mr. Abdulrazzaq Abdullah Mohammad (Member)
Meeting No.(1) Date: 21/02/2023	✓	✓	✓
	1	1	1

- Tasks and achievements of the committee during the year:

The responsibilities and tasks of this committee include nomination and re-nomination for the positions Executive Management and the annual evaluation of their competencies and skills. Its responsibilities also include the annual evaluation of the competence of the members of the board of directors, the performance of each of the committees, and the approval of the annual report on the remuneration granted to members of the board of directors and the executive management.

During the fiscal year, achievements were the following for example but not limited to:

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.

- 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.

Rule (III)

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.

Report on the remunerations to the Members of the Board of Directors, the Executive Management and the managers, provided that it shall include the following information as a minimum:

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 regulations 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 (attached herewith):

In pursuance to the resolution of the annual general assembly, held on April 02, 2023, the approved remuneration of the members of the board of directors for the fiscal year 2022, 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	249,365	1,578	9,322	16,200	5,148	7,390	Nil	74,308	526	Nil	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 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.

There is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, including when the Board of Directors refuses to follow the recommendations of the Committee regarding the external auditor and/or internal auditor, the Board of Directors must include in the governance report a statement that clearly details these recommendations and the reasons behind the Board's decision.

- **Emphasizing the Independence and Neutrality of the External Auditor:**

The responsibilities of the company's accountants in auditing financial reports and data, and verifying its accuracy are among their most critical responsibilities, and the neutrality of these auditors is considered a fundamental requirement. And they are accredited by the Capital Markets Authority.

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 2023.

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.

The company's risk management has complete independence through its subordination to the Risk Committee, in addition to having a large amount of powers in order to carry out its work without granting it financial powers or powers that conflict with their supervisory role.

Those responsible for managing the risk office has independence through their subordination to the Risk Committee and to the Board of Directors. They must have the necessary powers to carry out their duties to the fullest .

extent without having financial powers or any powers that lead to a conflict with their supervisory role. Also reviewing the deals and transactions proposed to be carried out by the company with related parties and submitting appropriate recommendations regarding them to the Board of Directors (if any)

The Risk Management Office prepares the general risk management framework for the company, including the risk appetite, which explains and identifies the main risks that the company may be exposed to in its operating environment, such as business risks, financial risks and capital risks.

- **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 message of the financial statements to help protect property rights. Consider the internal control process. The internal office of the E-Mail Affiliate Company of the E-Mail Authority.

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

The head of internal audit office is appointed by the Board of Directors based on the nomination of the Audit Committee. The Internal Audit Office has complete independence and reports directly to the Audit Committee and to 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.

The tasks of the audit office are as follows:

- Control procedures and supervision of the adequacy and effectiveness of internal control systems and their adequacy to protect the company's assets, the integrity of its financial data, and the efficiency of its operations in their administrative, financial, and accounting aspects.
- Preparing the annual internal audit work plan.
- Evaluating the performance of executive management in implementing internal control systems.
- The reasons for the failure to implement internal control (if any), the weaknesses in its application, or emergency situations that affected or may affect the company's financial performance, and the procedure that the company followed in addressing the failure to implement internal control.

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. Commitment to this charter is the responsibility of every individual and employee of the company. The Charter includes the commitment of all employees of the Company to the laws and internal policies of the Business Charter, as well as commitment to the principles of honesty and integrity 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, Other disclosures required by the executive regulations include quarterly and annual financial statements, any material information, any changes in the list of insiders, and the board of directors and executive management. As well as the reports that the company is required to disclose, such as the sustainability report.

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 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 is keen to protect the rights of its shareholders and constantly communicate with them. To communicate with shareholders, investors and stakeholders, the company adopts all communication channels, so that all up-to-date information and data are presented that help shareholders, current and potential investors to exercise their rights. Shareholders also have the right to participate in the company's general assembly, vote on its decisions, elect board members, and monitor the company's performance in general and the work of the board of directors in particular.

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 call on a quarterly basis, in which it discusses the financial results with shareholders and answers their 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 through daily trading reports.

This Shareholders register is updated on a daily basis, and coordination is made with the Kuwait Clearing Company 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.

Stakeholders are every person who has an interest in the company, such as employees, creditors, customers, suppliers, and service providers to the company. And in general, every person who has any relationship with the company or is concerned with its operations.

In its dealings with stakeholders, the company is keen to recognize all their legal and contractual rights, and to commit to fulfilling those rights to them in full and on their due dates, and to give the benefit to shareholders. The company also works to provide the best working conditions for its employees, and build a relationship of trust and respect, in addition to building fruitful relationships with all suppliers, contractors and customers at the basis of integrity, ethical behavior and mutual trust. The company also deals with external parties on the principle of justice and integrity, and protects their interests and ensures that they are given all their rights, and that no obligations are violated with them, along with preserving the interests and rights of the company. The company is also always keen to adhere to the instructions of all regulatory authorities such as, the Capital Markets Authority and other relevant regulatory authorities. Moreover, provide any documents, records and data if requested by representatives of these regulatory authorities, while applying the principle of transparency.

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 training courses 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

A summary of developing a policy that ensures achieving a balance between the company's goals and society's goals:

The Board of Directors approved the company's social responsibility policy, which ensures achieving a balance between both the company's goals and society's goals, through its subsidiaries working to spread awareness and participate in social and cultural events.

An overview of the programs and mechanisms used that help highlight the company's efforts in the field of social work:

HumanSoft Sustainability Report was released in June 2023, highlighting our five pillars as follows: Sustainability and Environment, Sports, Health and Wellness, Diversity, Inclusion and Innovation, Supporting and Developing Faculty and Staff, and Creating a Generation Ready to Work and Be Productive. HumanSoft, through its subsidiaries, has organized many initiatives, activities and programs related to these pillars, including the following:

Sustainability and Environment

- AUM is one of HumanSoft's largest subsidiaries. It is also a member of the United Nations Initiative "Principles for Responsible Management Education (PRME)", affiliated with the United Nations Global Compact.
- AUM maintained the first place for the fourth year in a row, hitting 229 globally; in addition to being ranked seventeenth in the Arab World and fourth in the Gulf Region, according to the World Green University Rankings 2023 (UI GreenMetric World University Rankings).
- AUM advanced to the first place in Kuwait and within the 401-600 category globally in the THE Sustainable Development Rankings 2023 (THE Impact Rankings).

Health and Wellness

- Awareness activities about breast cancer, diabetes and cholesterol.
- AUM students participated in various sports competitions with the aim of creating a healthy environment due to the positive effects it has on both their sports and academic performance.

Diversity, Inclusion and Innovation.

- Students participated in international competitions and achieved outstanding results.
- Launching/organizing various events and activities related to culture, diversity and innovation.

Supporting and Developing Faculty and Staff

- A positive and transparent work environment that promotes academic excellence, career advancement and professional development, in addition to gender equality.

- AUM and ACM have many collaborations with local and global health institutions to ensure the health and well-being of their community. Various activities and events are also organized for employees and faculty members.

Creating a Generation Ready to Work and Be Productive

- Establishing and equipping many systems, virtual centers and studios; in addition to providing various electronic services to enrich the education process and support students' needs.
- Organizing the ninth career fair, offering approximately 1,500 job opportunities; in addition to the career day activities that took place on campus.
- AUM, in partnership with Babson College, held the "Babson Global Symposium 2023", which is considered one of the leading symposiums in the field of entrepreneurship and the first of its kind in Kuwait.
- AUM, in collaboration with the Ministry of Finance, organized an awareness campaign about the tax system.

Report of the Audit Committee For

The fiscal year ended 31/12/ 2023

Greetings,

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 auditor, and holding periodic meetings within the framework of compliance with the laws of governance.

The Audit Committee held 4 meetings during the year 2023, 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

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 auditor 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 auditor.
- Reviewing the Internal Control Report issued by the independent audit office.
- Approving the internal audit work plan for the year 2024.
- Reviewing and approving the reports submitted by the internal audit office as per the approved internal audit work plan.
- Review the field inspection report issued by the Capital Markets Authority.
- Evaluation of the head of the Internal Audit Office.

2- Review of the Internal Control Systems in the Company.

During the fiscal year 2023, 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.

Also within its oversight responsibilities is the verification of the internal audit unit's performance, review of internal audit report findings, technical supervision of internal audit management, examination of its reports, and confirmation of its efficacy in executing tasks and duties outlined by the Board of Directors.

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

3- Review of the Consolidated Financial Statements of the Company

The committee reviewed the quarterly and annual financial statements for the fiscal year 2023, in detail, before presenting them to the Board of Directors, and expressing an opinion and recommendation regarding them to the Board. It also met with the external auditor, and the role of the audit committee is to study the external auditor's observations on the company's financial statements (if any), follow up on what was done regarding them, and express an opinion on them.

It met with the Internal Audit Office and discussed their reports, and the Audit Committee was kept during the year 2023 to perform its supervisory role in monitoring the integrity of the financial data, as the reports showed the validity and integrity of the company's financial statements and their observance of accounting principles.

The decrease in profit during the financial year ended on 31 December 2023, compared with the same period in the previous year, is mainly due to lower revenue and higher expenses in the year 2023 compared with the year 2022.

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

The external auditors' reports on the consolidated financial statements for the year 2023 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 has also reviewed the findings of the on-site inspection report issued by the Capital Market Authority and ensured that all necessary measures have been taken and observations are addressed.

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.



Financials

Humansoft has been following a consistent strategy of a balance of Quantitative 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 2023

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, 2023.

2023 Financial Highlights

- The company achieved an admirable performance in terms of revenues and profits during the year 2023. Humansoft continued its focus on the sustainability of its financial performance and thus achieve profitability through a clear plan to maintain the level of quality and efficiency.
- In 2023, Revenue was KD 79.0 million, Net Profit was KD 41.8 million, EBITDA was KD 44.6 million and Earnings Per Share amounted to 327 fils.

Revenue in 2023 was 5.6% lower in comparison with 2022, mainly due to the changes in the academic calendar in Q1 2022 and lower revenue for the Spring and Summer 2023 semester.

The overall costs in 2023 also increased in comparison with 2022 mainly due to higher General & Administrative expenses and Selling expenses.

Balance Sheet

Humansoft's fortress balance sheet, high ROAA & ROAE provide protection, resilience, and enable Humansoft to withstand stress events.

Cash and Bank Balances as at the end of 2023 amounted to KD 75.2 million as compared to KD 80.4 million at the end of 2022.

Total assets as at the end of 2023 amounted to KD 147.2 million as compared to KD 155.4 million as at the end of 2022.

Average Return on Assets amounted to 28% in 2023 as compared to 32% in 2022.

Shareholders' Equity

Total equity as at the end of 2023 was KD 126.9 million, as compared to KD 133.7 million as at the end of 2022.

Average return on equity amounted to 32% in 2023 as compared to 38% in 2022.

The Board of Directors recommended to contribute KD 305,592 to voluntary reserve an amount required to make the voluntary reserve 50% of share capital.

The Board of Directors recommended not to contribute to statutory reserve, as it has exceeded 50% of the share capital.

Dividend

The Board of Directors recommends cash dividends of 350 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	2023	2022	Change
Revenue (KD mn)	79.0	83.6	-6%
EBITDA (KD mn)	44.6	55.1	-19%
EBITDA %	57%	66%	-9%
Net profit (KD mn)	41.8	50.7	-18%
Net Profit %	53%	61%	-8%
EPS (in fils)	327	397	-18%
Equity (KD mn)	126.9	133.7	-5%
Total Assets (KD mn)	147.2	155.4	-5%

Future Strategy

Humansoft has continued its success and achieved outstanding financial results for the year 2023. Following on the same path of achievements and progress, it will implement the company's roadmap to fulfill its strategic plan.

From the short-term perspective, Humansoft's strategy in previous years focused on not dispersing resources in various new projects but focusing all these resources instead on the American University of the Middle East and the American College of the Middle East and enhancing their efficiency and academic standing, so as to directly achieve the highest returns from these existing projects. This has already been achieved, establishing a level of efficiency that enables AUM to continue to attract outstanding students and gain a competitive advantage in the long term.

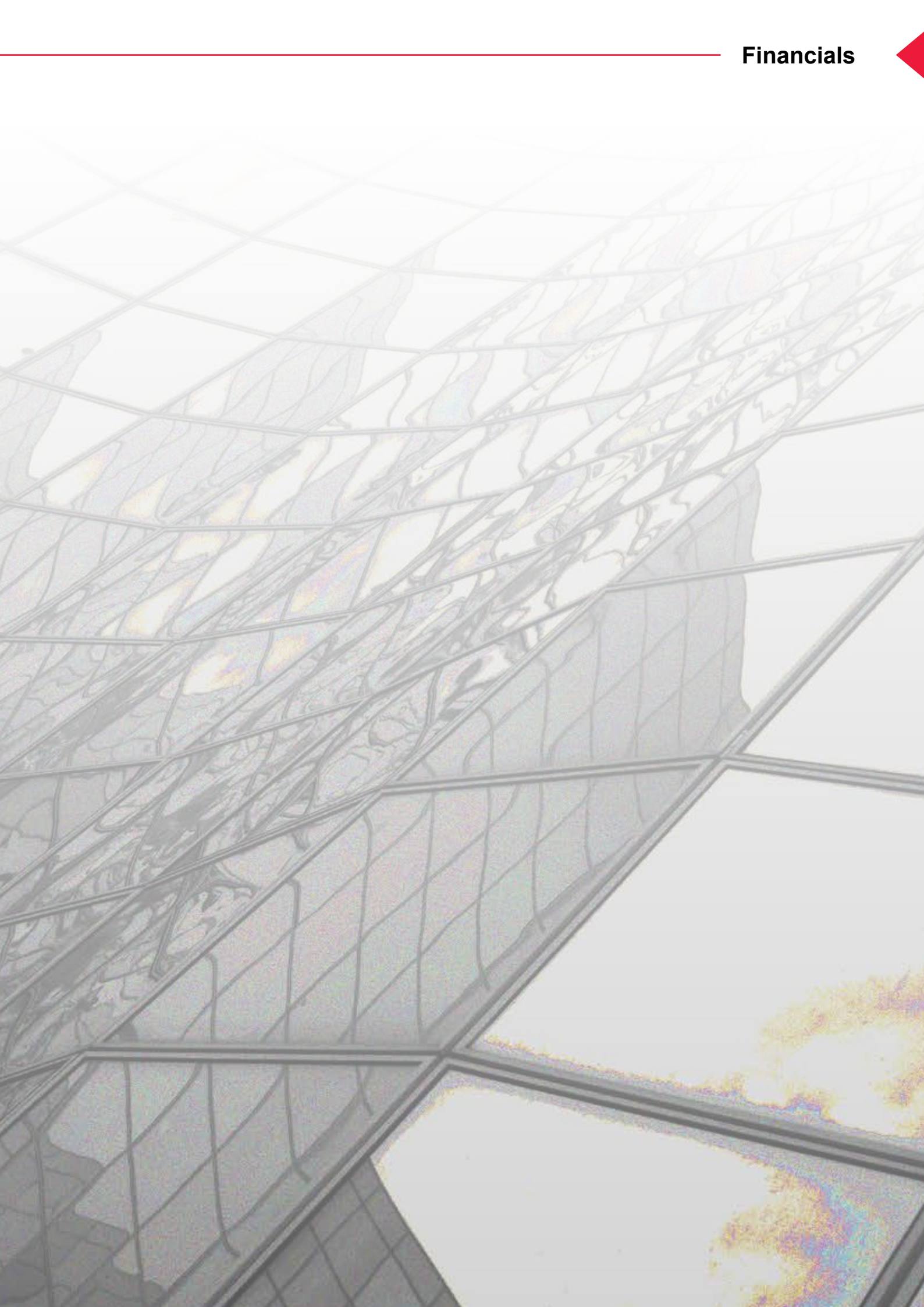
As a result of this approach, the American University of the Middle East succeeded in Obtaining international academic accreditations and advancing in international rankings. Thus, it surpassed local universities and placed significantly ahead, and progressed ahead of the several prestigious Arab universities.

The American University of the Middle East has announced the launch of the College of Health Sciences and is currently in the process of completing the final stage with the official authorities to start offering bachelor's degrees in nursing, nutrition and medical laboratories. This step increases the options available to students, diversifying our sources of revenue. The establishment of the College of Health Sciences is a crucial and vital step in the field of health education that will lead to expanding scientific research and innovation in the health sector. This will result in qualifying young professionals to work in the health sector in Kuwait and the region, empowering them with the most in-demand skills and the needed experience according to the latest modern technology.

Furthermore, the American University of the Middle East is working on the final stages with the official authorities to begin offering a master's degree in engineering disciplines. This strategic step is created by AUM's relentless efforts to deepen scientific research in the fields of engineering, enhance its research and scientific standing and achieve sustainable progress. It comes in response to the major trend in the global market sector to focus on artificial intelligence and energy sources.

And in the long-term perspective, Humansoft's strategy is to invest our expertise and financial and human resources in searching for new opportunities in the fields of education, human development and technology, so as to diversify sources of income and enhance the company's position as a leading company in the field of education and human development in Kuwait and the region.

We will move forward in our current fiscal year 2023-2024, with a positive future outlook, with our hopes of continuing to achieve profits for our partners in this success. We will also continue to work to achieve our goals in line with global economic developments.



Financial Growth over 10 years from 2014 to 2023

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 2014 to 2023 is showcased in its numbers.

The number of enrolled students grew at a CAGR of 8% over the 10 years from 2014 to 2023 from 6,853 in 2014 to 13,425 in 2023.

Total revenue for the company grew at a CAGR of 12% over the last 10-year period from KD 28.6 million in 2014 to KD 79.0 million in 2023.

Net profit for the company grew at a CAGR of 20% over the last 10-year period from KD 8.3 million in 2014 to KD 41.8 million in 2023.

The return on average shareholder's equity was 32% in 2023 and the return on average total assets was 28% in the same year

Undertaking of the Chief Executive Officer

To: 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 2023) 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

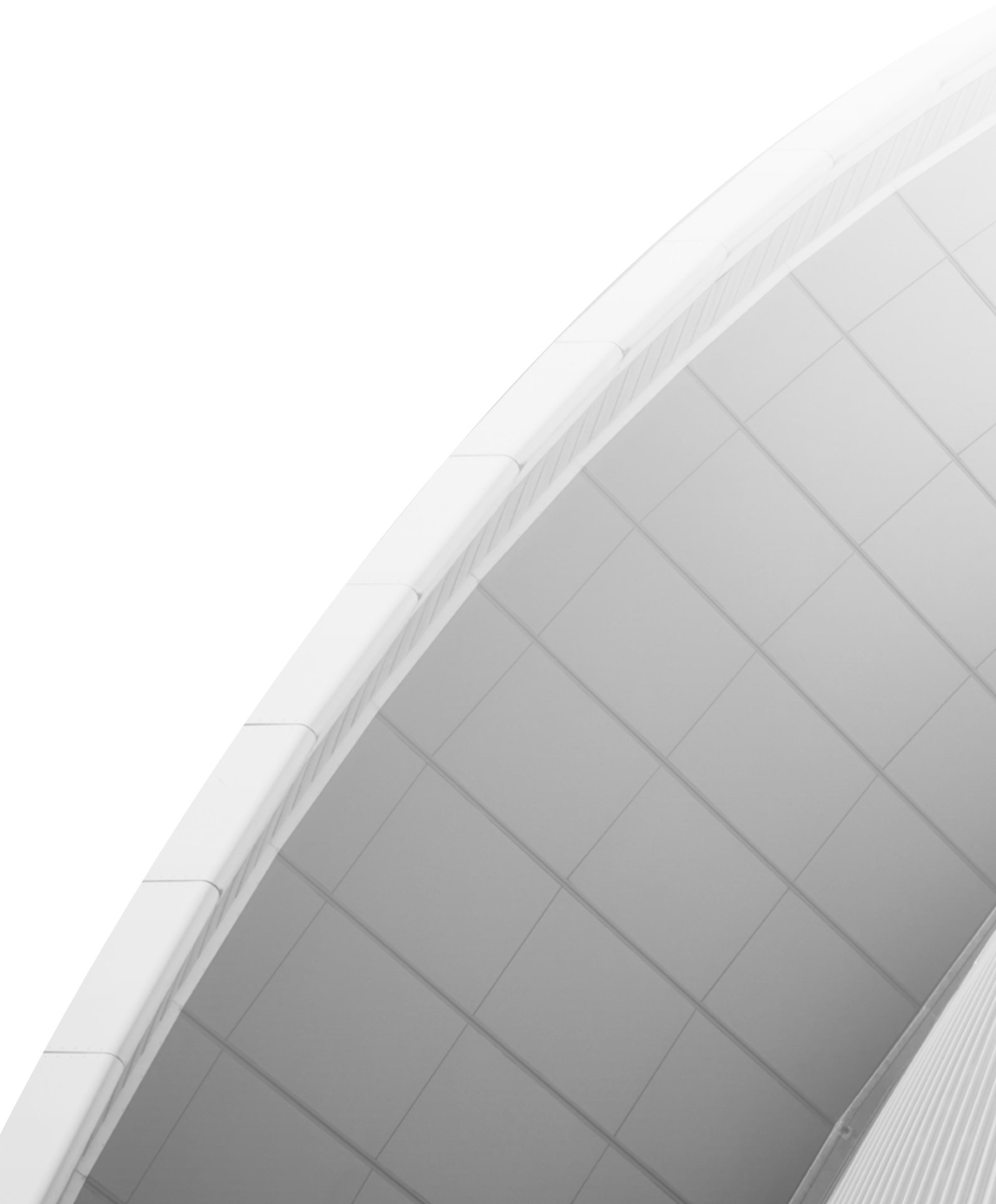
To: Board of Directors

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 2023) 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



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 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting 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.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>The Group recognized revenue from higher education services amounting to KD 78,694,999 during the year ended 31 December 2023.</p> <p>Revenue from higher education services is recognized on a straight-line basis over the period of time the services are rendered. The Group’s accounting policy related to revenue recognition is set out in note 2.14.</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. There is inherently more judgement applied in determining the academic period such as the duration and the availability of resources which would have an impact on the estimated date of the completion of the performance obligation, which drives the amount and timing of revenue to be recognised. Accordingly, we have considered this as a key audit matter.</p>	<p>Our audit procedures included, inter alia, the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of the significant revenue processes and identifying the relevant controls, IT systems and reports; • evaluating the internal controls, including automated controls, related to revenue recognition to determine if they had been appropriately designed and implemented; • testing the operating effectiveness of controls over the recording of revenue transactions; • test of details on a sample basis to determine if revenue was recorded over the period of time the services are rendered; • test of details of deferred revenue to ensure the accuracy of amount recorded and reconciled the debits in the deferred revenue account with the revenue recorded; • performed an analytical review of revenue using number of students and fees compared to prior year to identify, understand and corroborate unusual fluctuations, if any. <p>We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.</p>

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)

Other information included in the Parent Company's 2023 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 2023, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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

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

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

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

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

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

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

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

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.

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

Opinion

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended; and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended; or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 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 2023 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
13 February 2024

Consolidated Statement of Financial Position as at 31 December 2023

		Kuwaiti Dinars	
ASSETS	Notes	2023	2022
Current assets			
Cash and bank balances	4	75,245,933	80,441,222
Trade and other receivables	5	24,959,613	26,146,730
Inventories		-	4,633
Investment in associate		6,683	6,662
		100,212,229	106,599,247
Non-current assets			
Right-of-use assets	7	590,505	705,326
Property and equipment	8	39,551,827	41,222,966
Intangible assets	9	6,869,034	6,909,637
		47,011,366	48,837,929
Total assets		147,223,595	155,437,176
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		530,952	581,738
Accrued expenses and other liabilities	10	5,454,752	5,264,577
Lease liabilities	11	116,157	109,582
Deferred income	12	7,024,891	7,107,142
Retentions payable		152,951	172,469
Current portion of long-term debts		-	2,321,723
		13,279,703	15,557,231
Non-current liabilities			
Lease liabilities	11	559,156	628,663
Provision for staff indemnity		6,518,175	5,507,146
		7,077,331	6,135,809
Total liabilities		20,357,034	21,693,040
Equity			
Share capital	13	12,834,864	12,223,680
Share premium		1,512,000	1,512,000
Statutory reserve	14	9,894,240	9,894,240
Voluntary reserve	15	6,418,432	6,112,840
Treasury shares	16	(288,877)	(288,877)
Treasury shares reserve	16	564,013	564,013
Retained earnings		95,917,043	103,717,264
Foreign currency translation reserve		14,846	8,976
Total equity		126,866,561	133,744,136
Total liabilities and equity		147,223,595	155,437,176

Ms. Dalal Hasan Al-Sabti
Chairperson

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss - year ended 31 December 2023

		Kuwaiti Dinars	
	Notes	2023	2022
Revenue		78,974,673	83,625,055
Cost of operations	17	(15,422,008)	(15,085,793)
Gross profit		63,552,665	68,539,262
General and administrative expenses	18	(16,852,539)	(14,051,860)
Selling expenses	19	(5,288,219)	(2,730,499)
Finance charges		(155,467)	(180,471)
Share of loss of associates		-	(1,699)
Other income		2,939,374	1,782,811
Profit before contribution to Kuwait Foundation for Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”), Zakat and Directors’ remuneration		44,195,814	53,357,544
Contribution to KFAS		(448,625)	(538,870)
NLST		(1,223,185)	(1,352,099)
Zakat		(495,708)	(547,489)
Directors’ remuneration		(250,000)	(250,000)
Profit for the year		41,778,296	50,669,086
Basic and diluted earnings per share (fils)	20	327	397

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income - year ended 31 December 2023

	Kuwaiti Dinars	
	2023	2022
Profit for the year	41,778,296	50,669,086
Other comprehensive income		
Items that may be reclassified subsequently to consolidated statement of profit or loss:		
Foreign currency translation adjustments	5,870	(93,680)
Other comprehensive income/(loss) for the year	5,870	(93,680)
Total comprehensive income for the year	41,784,166	50,575,406

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity - year ended 31 December 2023

	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 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 25)	-	-	-	-	-	-	(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
Total comprehensive income for the year	-	-	-	-	-	-	41,778,296	5,870	41,784,166
Transfer to reserves	-	-	-	305,592	-	-	(305,592)	-	-
Dividend (note 25)	-	-	-	-	-	-	(48,661,741)	-	(48,661,741)
Issue of bonus shares (note 13)	611,184	-	-	-	-	-	(611,184)	-	-
Balance as at 31 December 2023	12,834,864	1,512,000	9,894,240	6,418,432	(288,877)	564,013	95,917,043	14,846	126,866,561

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows - year ended 31 December 2023

		Kuwaiti Dinars	
	Notes	2023	2022
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		44,195,814	53,357,544
Adjustments for:			
Depreciation and amortisation	18	3,331,255	3,416,691
Provision for staff indemnity		1,268,335	958,402
Provision for inventories		4,142	-
Expected credit loss on financial assets	5	2,396,899	94,810
Gain on disposal of property and equipment	8	(4,091)	(3,501)
Property and equipment and Intangible assets written off	8&9	-	24,274
Finance charges		155,467	180,471
Share of loss of associates		-	1,699
Interest income		(2,834,626)	(1,624,874)
Loss from disposal of associate		-	2,860
Operating cash flows before working capital changes		48,513,195	56,408,376
Changes in:			
Trade and other receivables		(1,209,107)	(4,959,104)
Inventories		491	486
Trade and other payables		(50,786)	(157,183)
Accrued expenses and other liabilities		310,930	(149,695)
Deferred income		(82,251)	(2,205,866)
Retentions payable		(19,518)	(109,607)
		47,462,954	48,827,407
Payment of staff indemnity		(257,385)	(391,692)
Payment of KFAS		(538,870)	(663,457)
Payment of NLST		(1,351,622)	(1,655,063)
Payment of Zakat		(546,868)	(670,751)
Directors' remuneration paid		(250,000)	(250,000)
Net cash from operating activities		44,518,209	45,196,444
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(1,480,025)	(479,524)
Payments for intangible assets	9	(24,745)	(50,528)
Proceeds from disposal of property and equipment		4,200	3,600
Proceeds from liquidation of investments in associates		-	513,049
Margin deposits and restricted deposits	4	(293,159)	(217,170)
Term deposits		(15,000,000)	21,000,000
Interest received		2,833,951	1,813,833
Net cash (used in)/from investing activities		(13,959,778)	22,583,260
FINANCING ACTIVITIES			
Repayment of long-term debts		(2,321,723)	(2,400,000)
Finance charges paid		(165,501)	(182,697)
Repayment of principal portion of lease liabilities	11	(62,932)	(106,020)
Dividend paid		(48,502,620)	(48,411,987)
Net cash used in financing activities		(51,052,776)	(51,100,704)
Net (decrease)/increase in cash and cash equivalents		(20,494,345)	16,679,000
Effects of exchange rate changes on cash and cash equivalents		5,897	(87,668)
Cash and cash equivalents at beginning of the year		27,621,289	11,029,957
Cash and cash equivalents at end of the year	4	7,132,841	27,621,289

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements - 31 December 2023

1. Ownership and activities

Humansoft Holding Company K.S.C.P. ("the Parent Company") is a Kuwaiti Shareholding Company incorporated on 14 September 1997. The Parent Company and its subsidiaries are together referred to as "the Group". The principal activities of the Parent Company are as follows:

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

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

These consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 13 February 2024 and are subject to approval of shareholders in the Annual General Assembly.

2. Basis of preparation and material accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS Accounting Standards) 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 Accounting Standards 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 26.

2.2.1 New standards and amendments effective from 1 January 2023

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements. The application of these revised IFRS Accounting Standards 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.

- IFRS Accounting Standard 17, 'Insurance contracts' – This standard replaces IFRS Accounting Standard 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS Accounting Standard 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- Amendments to IAS 1 and IFRS Accounting Standards Practice statement 2 – 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.
- Amendments to IAS 8 - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Notes to the Consolidated Financial Statements - 31 December 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. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary exception from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. Following the amendments, an entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

2.2.2 Standards and revisions issued but not yet effective

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

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 1 – Current and Non-current liabilities	Classification of liabilities as current or non-current: 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.	1 January 2024
Non-current liabilities with covenants	Non-current liabilities with covenants - The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).	1 January 2024
Amendments to IAS 7 and IFRS accounting standard 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IFRS accounting standard 16 – Leases on sale and leaseback	The amendments to IFRS accounting standard 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS accounting standard 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS accounting standard 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	1 January 2024

Notes to the Consolidated Financial Statements - 31 December 2023

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated 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;

Notes to the Consolidated Financial Statements - 31 December 2023

- 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 are 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 Accounting Standard 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.

Notes to the Consolidated Financial Statements - 31 December 2023

Fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI

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

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

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

Equity instruments at FVOCI

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

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

Fair Value Through Profit and Loss (FVTPL)

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

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

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

Reclassifications

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

2.4.2 Financial liabilities

Financial liabilities are mainly classified as "Financial liabilities other than at fair value through profit or loss". This comprises of loan from a local bank, retentions payable, trade payables, lease liabilities and accrued expenses 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 Accounting Standard 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 Accounting Standard 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 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.

2.7 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.

2.8 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.

2.9 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
Buildings 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.

2.10 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.

2.11 Impairment of property and equipment

At each consolidated statement of financial position date, the Group reviews the carrying amounts of its 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year, in accordance with the calculation as per ministerial decision 287/2016, which states that the Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

2.20 Zakat

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

2.21 National labour support tax ("NLST")

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year.

2.22 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
		2023	2022	2023	2022	
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.

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4. Cash and bank balances

	Kuwaiti Dinars	
	2023	2022
Cash on hand	22,265	17,478
Balances with banks	6,223,668	10,423,744
Term deposits with bank	69,000,000	70,000,000
Cash and bank balances	75,245,933	80,441,222
Less: Margin deposits with banks whose original maturity period exceeds three months from the date of acquisition, included above	(136,163)	(2,120)
Less: Restricted balances	(976,929)	(817,813)
Less: Term deposits with bank whose original maturity period exceeds three months from the date of acquisition, included above	(67,000,000)	(52,000,000)
Cash and cash equivalents in the consolidated statement of cash flows	7,132,841	27,621,289

Term deposits are denominated in Kuwaiti Dinars and are placed with local banks carrying an effective rate of interest of 5.07% (2022: 2.78%) per annum.

As at the consolidated statement of financial position date, the undrawn bank overdraft facilities amounted to KD 7,000,000 (2022: KD 9,000,000).

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.

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	
	2023	2022
Kuwaiti Dinars	74,902,839	80,116,654
US Dollars	297,937	251,328
Other currencies	45,157	73,240
	75,245,933	80,441,222

5. Trade and other receivables

	Kuwaiti Dinars	
	2023	2022
Trade receivables	26,144,947	25,001,871
Less: Provision for ECL	(3,256,267)	(859,368)
	22,888,680	24,142,503
Prepaid expenses	1,059,410	1,060,289
Advance to suppliers	371,674	326,026
Refundable deposits	104,068	90,560
Staff receivables	86,408	80,304
Other receivables	449,373	447,048
	24,959,613	26,146,730

Ageing buckets	31 December 2023			31 December 2022		
	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	KD	%	KD	KD	%	KD
Current	21,435,322	-	-	22,972,001	-	-
< 30 days	-	-	-	-	-	-
31 – 60 days	32,067	0.15	48	10,759	0.29	31
61 – 90 days	4,213	0.15	6	11,948	0.13	15
> 90 days	4,673,345	69.68	3,256,213	2,007,163	42.81	859,322
	26,144,947		3,256,267	25,001,871		859,368

Trade receivables which are current represents the amount receivable from a government related entity in Kuwait. The Group does not hold any collateral over these balances. ECL on receivables from government related entities in Kuwait are provided by the Group if these are due for more than 365 days. Kuwait sovereign rating is AA- and there is no history of default. As at 31 December 2023 (31 December 2022: nil), there are no balances due from government related entity in Kuwait which is due for more than one year. However, the Group took a provision for ECL amounting to KD 2,281,152 which is due from a government related entity for more than 90 days, the collection of which is uncertain.

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

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

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

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

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

Kuwaiti Dinars				
2023				
	Receivables from Government related entities	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	-	8,736	850,632	859,368
Net ECL charge/(reversal)	2,281,152	(2,472)	118,219	2,396,899
Balance at the end of the year	2,281,152	6,264	968,851	3,256,267

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	-	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

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

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

	2023	2022
Kuwaiti Dinars	24,879,431	26,061,307
US Dollars	51,190	51,286
Other currencies	28,992	34,137
	24,959,613	26,146,730

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	
	2023	2022
Compensation of key management personnel		
Short-term benefits	367,987	417,770
Post-employment benefits	16,509	27,893
	384,496	445,663

7. 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. Buildings and leasehold land improvements (note 8) are constructed on this land.

	Kuwaiti Dinars	
	2023	2022
Balance at the beginning of the year	705,326	820,147
Amortisation expense	(114,821)	(114,821)
Balance at the end of the year	590,505	705,326

8. Property and Equipment

	Kuwaiti Dinars							Total
	Freehold land	Building and leasehold land improvements	Computers and peripherals	Furniture, fixtures and decoration	Equipment	Library Books	Capital work in progress ("CWIP")	
Cost								
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
Additions	-	-	154,176	301,798	512,060	-	511,991	1,480,025
Transfers from CWIP	-	-	-	1,504	-	-	(1,504)	-
Disposals	-	-	(175,270)	(46,124)	(31,160)	-	-	(252,554)
Exchange adjustments	-	-	16	65	4	-	2	83
Balance as at 31 December 2023	5,297,030	56,742,329	1,906,670	2,366,491	4,657,406	89,289	573,813	71,633,028
Accumulated depreciation and impairment losses								
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
Charge for the year	-	2,729,576	90,744	84,194	246,542	-	-	3,151,056
Disposals	-	-	(175,218)	(46,085)	(31,142)	-	-	(252,445)
Exchange adjustments	-	-	13	65	4	-	-	82
Balance as at 31 December 2023	-	24,209,274	1,695,246	2,071,292	4,016,216	89,173	-	32,081,201
Carrying amount								
As at 31 December 2023	5,297,030	32,533,055	211,424	295,199	641,190	116	573,813	39,551,827
As at 31 December 2022	5,297,030	35,262,631	148,041	76,130	375,690	116	63,328	41,222,966

9. Intangible assets

	Kuwaiti Dinars					
	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 2021	6,752,000	1,422,498	144,955	135,307	56,637	8,511,397
Additions	-	11,077	-	811	38,640	50,528
Transfers from CWIP	-	12,002	-	5,293	(17,295)	-
Write off	-	(1,785)	(2,295)	(8,669)	(24,258)	(37,007)
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
Additions	-	22,914	-	-	1,831	24,745
Transfers from CWIP	-	32,294	-	4,897	(37,191)	-
Disposals	-	-	-	(5,823)	-	(5,823)
Exchange adjustments	-	1	-	69	(1)	69
Balance as at 31 December 2023	6,752,000	1,322,032	91,000	131,153	18,364	8,314,549
Accumulated amortisation and impairment losses						
Balance as at 31 December 2021	-	1,318,913	144,955	104,763	-	1,568,631
Charge for the year	-	53,084	-	6,363	-	59,447
Write offs	-	(1,785)	(2,295)	(8,669)	-	(12,749)
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
Charge for the year	-	59,125	-	6,253	-	65,378
Disposals	-	-	-	(5,823)	-	(5,823)
Exchange adjustments	-	-	-	39	-	39
Balance as at 31 December 2023	-	1,252,369	91,000	102,146	-	1,445,515
Carrying amount						
As at 31 December 2023	6,752,000	69,663	-	29,007	18,364	6,869,034
As at 31 December 2022	6,752,000	73,579	-	30,333	53,725	6,909,637

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 and 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 and 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:

	2023	2022
Discount Rate	12.52%	12.89%
Growth Rate	2.5%	2.5%

10. Accrued expenses and other liabilities

Kuwaiti Dinars

	2023	2022
Staff payables	1,020,867	1,093,769
Accrued expenses	1,138,985	739,736
KFAS payable	448,625	538,870
Zakat payable	495,708	547,489
NLST payable	1,223,185	1,352,099
Advance from customers / students	73,647	79,917
Dividend payable	960,267	801,146
Others	93,468	111,551
	5,454,752	5,264,577

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

Kuwaiti Dinars

	2023	2022
Kuwaiti Dinars	5,392,866	5,260,639
Other currencies	61,886	3,938
	5,454,752	5,264,577

11. Lease liabilities

Kuwaiti Dinars

	2023	2022
Balance at the beginning of the year	738,245	844,265
Accretion of interest	93,744	50,656
Payments	(156,676)	(156,676)
Balance at the end of the year	675,313	738,245
Current	116,157	109,582
Non-current	559,156	628,663
	675,313	738,245

12. Deferred income

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

13. Share capital

The Parent Company's authorized, issued, and paid-up share capital is KD 12,834,864 (2022: 12,223,680) comprises of 128,348,640 authorised and issued shares of 100 fils (2022: 122,236,800 shares of 100 fils) each fully paid in cash.

The shareholders' annual general meeting (AGM) held on 02 April 2023 approved the audited consolidated financial statements of the Group for the year ended 31 December 2022. Dividend of 400 fils per share (2021: 400 fils) and bonus shares of 5% of paid-up capital (2021: Nil) for the year ended 31 December 2022 were approved by shareholders in AGM for the year ended 31 December 2022.

The extraordinary general meeting of shareholders held on 9 April 2023 approved the increase of the authorized, issued and paid up share capital from KD 12,223,680 to KD 12,834,864 and the change in share capital was recorded in the commercial register on 17 April 2023.

14. 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 issued capital. This reserve can be utilized only for distribution of a maximum dividend of 5% of the paid up 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 issued capital.

15. Voluntary reserve

The Board of Directors recommended transfer of KD 305,592 (2022: Nil) to the voluntary reserve, in accordance with the Parent Company's Articles of Association, as amended, which require a 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to voluntary reserve until such time as this reserve exceeds 50% of the Parent Company's issued capital. Accordingly, in the current year, the Parent Company transferred the amount required to make the voluntary reserve exceeds 50% of the Parent Company's issued capital. This is subject to approval of the shareholders in the Annual General Meeting.

16. Treasury shares and treasury shares reserve

	Kuwaiti Dinars	
	2023	2022
Number of shares held	611,829	582,448
As a percentage of issued shares	0.48%	0.48%
Market value (KD)	2,079,607	2,050,217

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

17. Cost of operations

	Kuwaiti Dinars	
	2023	2022
Staff salaries and related costs	15,218,903	14,979,662
Facilities costs	196,200	102,783
Other costs of operations	6,905	3,348
	15,422,008	15,085,793

18. General and administrative expenses

	Kuwaiti Dinars	
	2023	2022
Staff salaries and related costs	4,939,674	4,553,665
Facilities costs	3,035,835	2,154,273
Depreciation and amortisation	3,331,255	3,416,691
Student activities costs	1,160,151	944,167
Other administration expenses	4,385,624	2,983,064
	16,852,539	14,051,860

19. Selling expenses

	Kuwaiti Dinars	
	2023	2022
Advertisement expense and sales promotion	2,776,254	2,455,852
Net expected credit loss	2,396,899	94,810
Other selling expenses	115,066	179,837
	5,288,219	2,730,499

20. Basic and diluted earnings per share

Basic and diluted earnings per share are computed by dividing the profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year net of treasury shares:

	Kuwaiti Dinars	
	2023	2022
Profit for the year	41,778,296	50,669,086
	Shares	
Number of shares outstanding:		
Weighted average number of paid up shares	128,348,640	128,348,640
Less: Weighted average number of treasury shares outstanding	(611,829)	(611,829)
Weighted average number of outstanding shares	127,736,811	127,736,811
Basic and diluted earnings per share (fils)	327	397

Earnings per share calculations for the year ended 31 December 2022 have been adjusted to take account of the bonus shares issued in 2023.

21. Segment information

Primary segment information – business segments:

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

- a) Higher Education
- b) Others

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

Segment information by business segments is as follows:

	Kuwaiti Dinars		
	Higher Education	Others	Total
2023			
Segment revenues- point over time	78,694,999	279,674	78,974,673
Segment expenses	(34,065,320)	(2,583,709)	(36,649,029)
Depreciation and amortisation	(3,317,504)	(13,751)	(3,331,255)
Finance charges	(154,846)	(621)	(155,467)
Other income	2,821,486	117,888	2,939,374
Profit/(loss) for the year	43,978,815	(2,200,519)	41,778,296
Assets			
Segment total assets	139,773,401	7,450,194	147,223,595
Liabilities			
Segment total liabilities	17,709,164	2,647,870	20,357,034
	Higher Education	Others	Total
2022			
Segment revenues- point over time	83,370,757	254,298	83,625,055
Segment expenses	(28,883,874)	(2,231,771)	(31,115,645)
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	146,906,875	8,530,301	155,437,176
Liabilities			
Segment total liabilities	19,127,708	2,565,332	21,693,040

Segment revenue above represents income generated from external customers. There was no inter-segment income during the year (2022: 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

Revenue includes an amount of KD 72,973,753 (2022: KD 78,215,400) from a government institution in Kuwait.

22. Commitments and contingent liabilities

	Kuwaiti Dinars	
	2023	2022
Commitments		
Capital commitments for construction	86,506	87,241
Contingent liabilities		
Letters of credit	191,511	-
Letters of guarantee	3,618,194	2,147,646

23. Financial risk management

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

Financial risk factors

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

The Parent Company'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.

As at 31 December 2023 (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), the Group was not exposed to interest rate risk as it did not have any borrowings or interest bearing assets.

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. The Group considers the credit quality of amounts that are neither past due nor impaired to be good.

As at 31 December 2023, 91% (2022: 92%) of the total trade receivables is due from a Government related entity.

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	
	2023	2022
Balances with banks	6,223,668	10,423,744
Deposits with banks	69,000,000	70,000,000
Trade and other receivables (excluding prepaid expenses and advance to suppliers)	23,528,529	24,760,415
	98,752,197	105,184,159

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 2023					
Financial liabilities					
Trade and other payables	530,952	-	-	-	530,952
Accrued expenses and other liabilities	5,381,105	-	-	-	5,381,105
Retentions payable	152,951	-	-	-	152,951
Lease liabilities	156,676	156,676	359,249	140,579	813,180
	6,221,684	156,676	359,249	140,579	6,878,188
Contingent liabilities					
Letters of credit	191,511	-	-	-	191,511
Letters of guarantee	1,048,339	2,538,812	30,000	-	3,618,194
Commitments					
Capital commitments for construction	86,506	-	-	-	86,506

	Kuwaiti Dinars				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
At 31 December 2022					
Financial liabilities					
Trade and other payables	581,738	-	-	-	581,738
Accrued expenses and other liabilities	5,184,660	-	-	-	5,184,660
Retentions payable	172,469	-	-	-	172,469
Long-term debts	2,321,723	-	-	-	2,321,723
Lease liabilities	156,676	156,676	425,349	231,155	969,856
	8,417,266	156,676	425,349	231,155	9,230,446
Contingent liabilities					
Letters of guarantee	848,332	1,298,314	1,000	-	2,147,646
Commitments					
Capital commitments for construction	87,241	-	-	-	87,241

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

24. 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 2023, the Group is not geared (2022: not geared).

25. Dividend distribution

Proposed dividend and bonus shares – 2023

The Board of Directors, subject to the approval of shareholders, have recommended distribution of cash dividend of 350 fils per share (2022: 400 fils per share) and bonus shares of 5% of paid-up capital (2022: 5%) for the year ended 31 December 2023. The cash dividend and bonus shares shall be payable to the shareholders after obtaining the necessary regulatory approvals.

26. 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 Accounting Standard 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.