

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



**Consolidated Financial Statements and
Independent Auditor's Report for the year ended
31 December 2025**

INDEX

	Page
Independent Auditor's Report	1 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Profit or Loss	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 33

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 2025, 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 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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), as applicable to audits of consolidated financial statements of public interest entities, 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 77,573,742 during the year ended 31 December 2025.</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 2.13.</p> <p>Under ISAs, there is a presumed risk that revenue may be misstated due to improper recognition of revenue. There is inherently more judgment 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 and consequently this increases the level of audit effort required. 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 determine the accuracy of the amount recorded and reconciled the debits in the deferred revenue account with the revenue recorded; performed an analytical review of revenue using the number of students and fees compared to the 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 IFRS Accounting Standards.</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 2025 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 2025, 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 IFRS Accounting Standards as issued by the IASB, 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 (Continued)

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

- 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.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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 2025 that might have had a material effect on the business of the Parent Company or on its 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, concerning the Capital Markets Authority and its related regulations, as amended; during the year ended 31 December 2025 that might have had a material effect on the business of the Parent Company or on its financial position.



Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche - Al-Wazzan & Co.

Kuwait
11 February 2026

Consolidated Statement of Financial Position as at 31 December 2025

	Notes	Kuwaiti Dinars	
		2025	2024
ASSETS			
Current assets			
Cash and bank balances	4	67,007,011	74,286,447
Trade and other receivables	5	24,542,625	25,029,757
		<u>91,549,636</u>	<u>99,316,204</u>
Non-current assets			
Right-of-use assets	7	360,861	475,683
Property and equipment	8	34,360,726	37,160,267
Intangible assets	9	6,887,389	6,870,026
		<u>41,608,976</u>	<u>44,505,976</u>
Total assets		<u>133,158,612</u>	<u>143,822,180</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		500,726	307,463
Accrued expenses and other liabilities	10	6,310,799	6,321,109
Lease liabilities	11	130,514	123,127
Deferred income	12	6,597,912	7,032,253
Retentions payable		155,785	127,925
		<u>13,695,736</u>	<u>13,911,877</u>
Non-current liabilities			
Lease liabilities	11	305,515	436,029
Provision for staff indemnity	13	8,439,993	7,336,848
		<u>8,745,508</u>	<u>7,772,877</u>
Total liabilities		<u>22,441,244</u>	<u>21,684,754</u>
Equity			
Share capital	14	13,476,607	13,476,607
Share premium		1,512,000	1,512,000
Statutory reserve	15	9,894,240	9,894,240
Voluntary reserve	16	6,739,304	6,739,304
Treasury shares	17	(288,877)	(288,877)
Treasury shares reserve	17	564,013	564,013
Retained earnings		78,819,118	90,237,905
Foreign currency translation reserve		963	2,234
Total equity		<u>110,717,368</u>	<u>122,137,426</u>
Total liabilities and equity		<u>133,158,612</u>	<u>143,822,180</u>



 Mr. Tareq Fahad AlOthman
 Chairman

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.



Consolidated Statement of Profit or Loss - year ended 31 December 2025

	Notes	Kuwaiti Dinars	
		2025	2024
Revenue		77,573,742	79,160,708
Cost of operations	18	(17,881,916)	(16,765,727)
Gross profit		59,691,826	62,394,981
General and administrative expenses	19	(21,294,928)	(20,065,673)
Selling expenses	20	(3,160,570)	(2,645,674)
Finance charges		(33,620)	(40,900)
Other income		2,159,419	2,653,048
Profit before contribution to Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		37,362,127	42,295,782
Contribution to KFAS		(377,943)	(430,012)
NLST		(861,311)	(1,155,520)
Zakat		(348,494)	(468,889)
Directors' remuneration		(250,000)	(250,000)
Profit for the year		35,524,379	39,991,361
Basic and diluted earnings per share (fils)	21	265	298

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

	Kuwaiti Dinars	
	2025	2024
Profit for the year	35,524,379	39,991,361
Other comprehensive income		
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>		
Foreign currency translation adjustments	(1,271)	(12,612)
Other comprehensive loss for the year	(1,271)	(12,612)
Total comprehensive income for the year	35,523,108	39,978,749

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity - year ended 31 December 2025

	Kuwaiti Dinars							Total	
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Retained earnings		Foreign currency translation reserve
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
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	39,991,361	(12,612)	39,978,749
Transfer to reserves	-	-	-	320,872	-	-	(320,872)	-	-
Dividend (note 26)	-	-	-	-	-	-	(44,707,884)	-	(44,707,884)
Issue of bonus shares (note 14)	641,743	-	-	-	-	-	(641,743)	-	-
Balance as at 31 December 2024	13,476,607	1,512,000	9,894,240	6,739,304	(288,877)	564,013	90,237,905	2,234	122,137,426
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	35,524,379	(1,271)	35,523,108
Dividend (note 26)	-	-	-	-	-	-	(46,943,166)	-	(46,943,166)
Balance as at 31 December 2025	13,476,607	1,512,000	9,894,240	6,739,304	(288,877)	564,013	78,819,118	963	110,717,368

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows - year ended 31 December 2025

	Notes	Kuwaiti Dinars	
		2025	2024
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		37,362,127	42,295,782
Adjustments for:			
Depreciation and amortisation	19	3,712,694	3,567,436
Provision for staff indemnity	13	1,598,603	1,205,603
Net expected credit loss on financial assets	19	2,574,695	2,518,044
Gain on disposal of property and equipment	8	(573)	(724)
Property and equipment and Intangible assets written off	8&9	-	4,955
Finance charges		33,620	40,900
Interest income		(2,095,401)	(2,573,752)
Operating cash flows before working capital changes		43,185,765	47,058,244
Changes in:			
Trade and other receivables		(2,002,727)	(2,259,783)
Trade and other payables		193,263	(223,489)
Accrued expenses and other liabilities		718,158	697,040
Deferred income		(434,341)	7,362
Retentions payable		27,860	(25,026)
		41,687,978	45,254,348
Payment of staff indemnity	13	(495,458)	(386,999)
Payment of KFAS		(430,012)	(448,625)
Payment of NLST		(1,155,520)	(1,223,185)
Payment of Zakat		(468,889)	(495,675)
Directors' remuneration paid		(250,000)	(250,000)
Net cash from operating activities		38,888,099	42,449,864
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(759,592)	(1,023,789)
Payments for intangible assets	9	(56,130)	(45,863)
Proceeds from disposal of property and equipment		600	3,375
Proceeds from liquidation of investments in associates		-	6,683
Margin deposits and restricted balance	4	261,716	(282,384)
Term deposits		(26,402,233)	36,902,233
Interest received		2,010,565	2,245,347
Net cash (used in)/from investing activities		(24,945,074)	37,805,602
FINANCING ACTIVITIES			
Finance charges paid		(33,620)	(40,900)
Repayment of principal portion of lease liabilities	11	(123,127)	(116,157)
Dividend paid		(47,204,960)	(44,425,503)
Net cash used in financing activities		(47,361,707)	(44,582,560)
Net (decrease)/ increase in cash and cash equivalents		(33,418,682)	35,672,906
Effects of exchange rate changes on cash and cash equivalents		(1,271)	(12,543)
Cash and cash equivalents at beginning of the year		42,793,204	7,132,841
Cash and cash equivalents at end of the year	4	9,373,251	42,793,204

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

1. Ownership and activities

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

The principal activities of the Parent Company are as follows:

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

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

These consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 11 February 2026 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 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 27.

2.2.1 New standards and amendments effective from 1 January 2025

The following amendments to IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2025, 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.

Amendments	Description
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability	The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

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 and amendments	Description	Effective date
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	<p>These amendments:</p> <ul style="list-style-type: none"> • permit an entity to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be discharged (and derecognised) before the settlement date if specified criteria are met. If an entity elects to apply this accounting policy, it must do so for all settlements made through the same electronic payment system. • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortised cost or FVTOCI and each class of financial liability measured at amortised cost; and • Investments in equity instruments designated at FVTOCI-require an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period. 	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements	<p>IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.</p> <p>IFRS 18 introduces new requirements to:</p> <ul style="list-style-type: none"> • present specified categories and defined subtotals in the statement of profit or loss • provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements • improve aggregation and disaggregation. <p>The application of this standard may have an impact on the financial statements in future periods.</p>	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	<p>IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.</p> <p>An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:</p> <ul style="list-style-type: none"> • it is a subsidiary (this includes an intermediate parent) • it does not have public accountability, and • its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. 	1 January 2027

Standard and amendments	Description	Effective date
Annual Improvements to IFRS Accounting Standards – Volume 11	Limited to amendments that either clarify the wording of an IFRS standard or correct relatively minor unintended consequences, oversights or conflicts between requirements in the standards	1 January 2027

Management anticipates that these new standards and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards 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

2.4 Classification and measurement of financial assets and financial liabilities

Classification of financial assets

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

Business model assessment

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

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

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

Contractual cash flows assessment

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows 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.

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 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 300 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 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

Freehold land has indefinite useful life and is not depreciated.

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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 Revenue recognition

Revenue is recognised over the period on a time proportion basis as and when the performance obligations are satisfied. Fees which are due or received 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of the Group's net profit for the year in accordance with the Amiri Decree issued on 12 December 1976 and its related regulations.

2.19 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.

2.20 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.

2.21 Segment reporting

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

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

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

3. Subsidiaries

The principal subsidiaries of the Parent Company are:

Subsidiary	Country of incorporation	Direct ownership %		Indirect ownership %		Principal activity
		2025	2024	2025	2024	
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	99	1	1	99	Computer programming, advertisement publication and distribution and selling and purchasing of shares and bonds for company interest only
Humansoft Free Zone - L.L.C.	U.A.E.	100	100	-	-	Technology, e-commerce & media

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

4. Cash and bank balances

	Kuwaiti Dinars	
	2025	2024
Cash on hand	19,403	18,192
Balances with banks	10,487,608	10,670,488
Term deposits with banks	56,500,000	63,597,767
Cash and bank balances	67,007,011	74,286,447
Less: Margin deposits with banks whose original maturity period exceeds three months from the date of acquisition, included above	(136,239)	(136,166)
Less: Restricted balance	(997,521)	(1,259,310)
Less: Term deposits with banks whose original maturity period exceeds three months from the date of acquisition, included above	(56,500,000)	(30,097,767)
Cash and cash equivalents in the consolidated statement of cash flows	9,373,251	42,793,204

Term deposits are denominated in Kuwaiti Dinars and are placed with local banks carrying an effective rate of interest of 4.19% (2024: 4.72%) per annum.

As at the consolidated statement of financial position date, the undrawn bank overdraft facilities amounted to KD 7,000,000 (2024: KD 7,000,000).

Notes to the Consolidated Financial Statements - 31 December 2025

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	
	2025	2024
Kuwaiti Dinars	66,801,609	74,068,181
US Dollars	149,758	154,884
Other currencies	55,644	63,382
	<u>67,007,011</u>	<u>74,286,447</u>

5. Trade and other receivables

	Kuwaiti Dinars	
	2025	2024
Trade receivables	23,243,210	28,659,150
Less: Provision for ECL	(1,173,181)	(5,774,387)
	<u>22,070,029</u>	<u>22,884,763</u>
Advance to suppliers	289,246	228,714
Staff receivables	158,562	126,003
Refundable deposits	74,294	53,474
Accrued interest income	853,888	769,052
Prepaid expenses and other receivables	1,096,606	967,751
	<u>24,542,625</u>	<u>25,029,757</u>

Ageing buckets	31 December 2025			31 December 2024		
	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	20,407,264	-	-	21,479,090	-	-
< 30 days	-	-	-	-	-	-
31 – 60 days	-	-	-	-	-	-
61 – 90 days	-	-	-	-	-	-
> 90 days	2,835,946	41.37	1,173,181	7,180,060	80.42	5,774,387
	<u>23,243,210</u>		<u>1,173,181</u>	<u>28,659,150</u>		<u>5,774,387</u>

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.

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:

	Kuwaiti Dinars			
	2025			
	Receivables from Government related entities	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	4,757,386	31,340	985,661	5,774,387
Net ECL charge	2,399,489	5,335	169,871	2,574,695
Write off	(7,156,875)	(19,026)	-	(7,175,901)
Balance at the end of the year	-	17,649	1,155,532	1,173,181

	Kuwaiti Dinars			
	2024			
	Receivables from Government related entities	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	2,281,152	6,264	968,851	3,256,267
Net ECL charge	2,476,234	25,000	16,810	2,518,044
FCTA	-	76	-	76
Balance at the end of the year	4,757,386	31,340	985,661	5,774,387

Trade receivable balance due from government related entities amounting to KD 7,156,875 were written off against the corresponding specific ECL provision.

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:

	Kuwaiti Dinars	
	2025	2024
Kuwaiti Dinars	24,518,241	25,008,093
US Dollars	21,172	17,740
Other currencies	3,212	3,924
	24,542,625	25,029,757

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 and balances included in these consolidated financial statements are as follows:

	Kuwaiti Dinars	
	2025	2024
Compensation of key management personnel		
Short-term benefits	426,010	394,876
Post-employment benefits	23,350	23,730
	<u>449,360</u>	<u>418,606</u>

7. Right-of-use assets*Group as a Lessee*

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	
	2025	2024
Balance at the beginning of the year	475,683	590,505
Amortisation expense	(114,822)	(114,822)
Balance at the end of the year	<u>360,861</u>	<u>475,683</u>

Notes to the Consolidated Financial Statements - 31 December 2025

8. Property and Equipment

	Kuwaiti Dinars							Total
	Freehold land	Buildings 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 2023	5,297,030	56,742,329	1,906,670	2,366,491	4,657,406	89,289	573,813	71,633,028
Additions	-	73,273	70,390	314,003	397,319	-	168,804	1,023,789
Transfers from CWIP	-	65,862	-	440,439	1,504	-	(507,805)	-
Write off	-	-	(14,611)	(15,500)	(4,849)	-	-	(34,960)
Disposals	-	-	-	(94,701)	(35,585)	-	-	(130,286)
Exchange adjustments	-	-	2	4	-	-	-	6
Balance as at 31 December 2024	5,297,030	56,881,464	1,962,451	3,010,736	5,015,795	89,289	234,812	72,491,577
Additions	-	128,653	126,610	139,200	196,003	-	169,126	759,592
Transfers from CWIP	-	-	-	321	-	-	(321)	-
Disposals	-	-	-	(16,583)	(1,631)	-	-	(18,214)
Exchange adjustments	-	(1)	22	3	(1)	-	2	25
Balance as at 31 December 2025	5,297,030	57,010,116	2,089,083	3,133,677	5,210,166	89,289	403,619	73,232,980
Accumulated depreciation and impairment losses								
Balance as at 31 December 2023	-	24,209,274	1,695,246	2,071,292	4,016,216	89,173	-	32,081,201
Charge for the year	-	2,731,315	115,867	265,858	299,645	-	-	3,412,685
Write off	-	-	(14,599)	(15,500)	(4,848)	-	-	(34,947)
Disposals	-	-	-	(92,072)	(35,563)	-	-	(127,635)
Exchange adjustments	-	-	2	4	-	-	-	6
Balance as at 31 December 2024	-	26,940,589	1,796,516	2,229,582	4,275,450	89,173	-	35,331,310
Charge for the year	-	2,738,677	118,669	380,543	321,217	-	-	3,559,106
Disposals	-	-	-	(16,558)	(1,629)	-	-	(18,187)
Exchange adjustments	-	-	31	(8)	1	1	-	25
Balance as at 31 December 2025	-	29,679,266	1,915,216	2,593,559	4,595,039	89,174	-	38,872,254
Carrying amount								
As at 31 December 2025	5,297,030	27,330,850	173,867	540,118	615,127	115	403,619	34,360,726
As at 31 December 2024	5,297,030	29,940,875	165,935	781,154	740,345	116	234,812	37,160,267

Notes to the Consolidated Financial Statements - 31 December 2025

9. Intangible assets

	Kuwaiti Dinars					Total
	University & college licenses	Computer diploma programs, software, systems and curricular	Franchise	Trade mark, key money, and brand	Capital work in progress ("CWIP")	
Cost						
Balance as at 31 December 2023	6,752,000	1,322,032	91,000	131,153	18,364	8,314,549
Additions	-	-	-	-	45,863	45,863
Transfers from CWIP	-	-	-	1,560	(1,560)	-
Write off	-	(249,628)	-	(41,001)	(815)	(291,444)
Balance as at 31 December 2024	6,752,000	1,072,404	91,000	91,712	61,852	8,068,968
Additions	-	37,243	-	10,125	8,762	56,130
Transfers from CWIP	-	38,641	-	1,760	(40,401)	-
Exchange adjustments	-	3	-	(4)	-	(1)
Balance as at 31 December 2025	6,752,000	1,148,291	91,000	103,593	30,213	8,125,097
Accumulated amortisation and impairment losses						
Balance as at 31 December 2023	-	1,252,369	91,000	102,146	-	1,445,515
Charge for the year	-	33,943	-	5,986	-	39,929
Write off	-	(245,502)	-	(41,000)	-	(286,502)
Balance as at 31 December 2024	-	1,040,810	91,000	67,132	-	1,198,942
Charge for the year	-	32,378	-	6,388	-	38,766
Balance as at 31 December 2025	-	1,073,188	91,000	73,520	-	1,237,708
Carrying amount						
As at 31 December 2025	6,752,000	75,103	-	30,073	30,213	6,887,389
As at 31 December 2024	6,752,000	31,594	-	24,580	61,852	6,870,026

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:

	2025	2024
Discount Rate	10.06%	11.49%
Growth Rate	2.5%	2.5%

10. Accrued expenses and other liabilities.

	Kuwaiti Dinars	
	2025	2024
Staff payables	1,058,096	1,047,681
Accrued expenses	2,428,997	1,788,889
KFAS payable	377,943	430,012
Zakat payable	348,494	468,889
NLST payable	861,311	1,155,520
Advance from customers / students	86,677	74,002
Dividend payable	992,083	1,253,877
Others	157,198	102,239
	<u>6,310,799</u>	<u>6,321,109</u>

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

	Kuwaiti Dinars	
	2025	2024
Kuwaiti Dinars	6,309,407	6,307,451
Other currencies	1,392	13,658
	<u>6,310,799</u>	<u>6,321,109</u>

11. Lease liabilities

	Kuwaiti Dinars	
	2025	2024
Balance at the beginning of the year	559,156	675,313
Accretion of interest	33,549	40,519
Payments	(156,676)	(156,676)
Balance at the end of the year	436,029	559,156
Current	130,514	123,127
Non-current	305,515	436,029
	436,029	559,156

12. Deferred income

This represents unamortized revenue for which the service is yet to be rendered.

13. Provision for staff indemnity

	Kuwaiti Dinars	
	2025	2024
Balance at the beginning of year	7,336,848	6,518,175
Provided during the year	1,598,603	1,205,603
Benefits paid during the year	(495,458)	(386,999)
Exchange adjustments	-	69
	8,439,993	7,336,848

14. Share capital

The Parent Company's authorized, issued, and paid-up share capital is KD 13,476,607 (2024: 13,476,607) comprises of 134,766,072 authorised and issued shares of 100 fils (2024: 134,766,072 shares of 100 fils) each fully paid in cash.

The shareholders' annual general meeting (AGM) held on 14 April 2025 approved the audited consolidated financial statements of the Group for the year ended 31 December 2024 and approved the following:

- Dividend of 350 fils per share (2023: 350 fils and bonus shares of 5% of issued and paid-up capital) for the year ended 31 December 2024
- Directors' remuneration of KD 250,000 for the year ended 31 December 2024 (2023: KD 250,000).

15. 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. On 24 March 2024, the Parent Company has discontinued further transfers to statutory reserve as it has exceeded 50% of the issued capital.

16. Voluntary reserve

In accordance with the Parent Company's Articles of Association, as amended, 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to voluntary reserve unless the shareholders decide to discontinue the transfer. There are no restrictions on distributions from the voluntary reserve. On 24 March 2024 the Parent Company has discontinued further transfers to voluntary reserve.

17. Treasury shares and treasury shares reserve

	2025	2024
Number of shares held	642,741	642,741
As a percentage of issued shares	0.48%	0.48%
Market value (KD)	1,687,838	1,748,256

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.

18. Cost of operations

Cost of operations represent staff salaries and related costs.

19. General and administrative expenses

	Kuwaiti Dinars	
	2025	2024
Staff salaries and related costs	6,056,734	5,318,414
Facilities costs	3,295,599	3,211,386
Net expected credit loss	2,574,695	2,518,044
Depreciation and amortisation	3,712,694	3,567,436
Student activities costs	1,392,649	1,302,029
Other administration expenses	4,262,557	4,148,364
	21,294,928	20,065,673

20. Selling expenses

	Kuwaiti Dinars	
	2025	2024
Advertisement expense and sales promotion	3,044,672	2,559,310
Other selling expenses	115,898	86,364
	3,160,570	2,645,674

21. 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	
	2025	2024
Profit for the year	35,524,379	39,991,361
	Shares	
Number of shares outstanding:		
Weighted average number of paid up shares	134,766,072	134,766,072
Less: Weighted average number of treasury shares outstanding	(642,741)	(642,741)
Weighted average number of outstanding shares	134,123,331	134,123,331
Basic and diluted earnings per share (fils)	265	298

22. 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
2025			
Segment revenues- point over time	77,573,742	-	77,573,742
Segment expenses	(38,409,821)	(2,052,647)	(40,462,468)
Depreciation and amortisation	(3,704,348)	(8,346)	(3,712,694)
Finance charges	(33,549)	(71)	(33,620)
Other income	1,646,760	512,659	2,159,419
Profit/(loss) for the year	<u>37,072,784</u>	<u>(1,548,405)</u>	<u>35,524,379</u>
Assets			
Segment total assets	<u>113,483,324</u>	<u>19,675,288</u>	<u>133,158,612</u>
Liabilities			
Segment total liabilities	<u>20,234,430</u>	<u>2,206,814</u>	<u>22,441,244</u>
2024			
Segment revenues- point over time	79,160,708	-	79,160,708
Segment expenses	(35,689,194)	(2,519,910)	(38,209,104)
Depreciation and amortisation	(3,560,528)	(6,908)	(3,567,436)
Write of off Property and equipment and Intangible assets	-	(4,955)	(4,955)
Finance charges	(40,733)	(167)	(40,900)
Other income	2,281,653	371,395	2,653,048
Profit/(loss) for the year	<u>42,151,906</u>	<u>(2,160,545)</u>	<u>39,991,361</u>
Assets			
Segment total assets	<u>127,573,875</u>	<u>16,248,305</u>	<u>143,822,180</u>
Liabilities			
Segment total liabilities	<u>18,927,532</u>	<u>2,757,222</u>	<u>21,684,754</u>

Segment revenue above represents income generated from external customers. There was no inter-segment income during the year (2024: 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 70,364,065 (2024: KD 72,871,714) from a government institution in Kuwait.

23. Commitments and contingent liabilities

	Kuwaiti Dinars	
	2025	2024
Commitments		
Capital commitments for construction	142,843	311,647
Contingent liabilities		
Letters of guarantee	4,421,739	4,154,067

24. 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 2025 (2024: Nil), the Group was not exposed to interest rate risk as it did not have any borrowings or interest bearing assets which are fair valued or with market fluctuating interest rate.

(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 2025, 88% (2024: 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	
	2025	2024
Balances with banks	10,487,608	10,670,488
Deposits with banks	56,500,000	63,597,767
Trade and other receivables (excluding prepaid expenses and advance to suppliers)	23,156,773	23,833,292
	<u>90,144,381</u>	<u>98,101,547</u>

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.

Notes to the Consolidated Financial Statements - 31 December 2025

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

	Kuwaiti Dinars				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
At 31 December 2025					
Financial liabilities					
Trade and other payables	500,726	-	-	-	500,726
Accrued expenses and other liabilities (excluding Advance from customers / students)	6,224,122	-	-	-	6,224,122
Retentions payable	155,785	-	-	-	155,785
Lease liabilities	156,676	111,997	231,155	-	499,828
	<u>7,037,309</u>	<u>111,997</u>	<u>231,155</u>	<u>-</u>	<u>7,380,461</u>
Contingent liabilities					
Letters of guarantee	876,670	3,543,030	1,000	1,039	4,421,739

	Kuwaiti Dinars				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
At 31 December 2024					
Financial liabilities					
Trade and other payables	307,463	-	-	-	307,463
Accrued expenses and other liabilities (excluding Advance from customers / students)	6,247,107	-	-	-	6,247,107
Retentions payable	127,925	-	-	-	127,925
Lease liabilities	156,676	156,676	293,149	50,003	656,504
	<u>6,839,171</u>	<u>156,676</u>	<u>293,149</u>	<u>50,003</u>	<u>7,338,999</u>
Contingent liabilities					
Letters of guarantee	848,716	3,305,351	-	-	4,154,067

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.

25. 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 2025, the Group is not geared (2024: not geared).

26. Dividend distribution

Proposed dividend

The Board of Directors, subject to the approval of shareholders, have recommended distribution of cash dividend of 275 fils per share (2024: 350 fils per share) for the year ended 31 December 2025. The cash dividend shall be payable to the shareholders after obtaining the necessary regulatory approvals.

27. Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements

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

Significant increase in credit risk

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

Contingent liabilities

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

Key sources of estimation uncertainty

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

Calculation of loss allowance

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

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

Impairment of tangible and intangible assets and useful lives

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

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