ANNUAL REPORT

2021

الأولى تكافل
FIRST TAKAFUL

الأولى تكافل
FIRST TAKAFUL

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For All That Matters • لكل ما هو مهم

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His Highness the Amir Of Kuwait

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

His Highness the Crown Prince Of Kuwait

Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah

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Company Profile

First Takaful Insurance Co (First Takaful) was established in July 2000 with the objective of providing Takaful insurance solutions to individuals, commercial establishments and the various industrial sectors in Kuwait. The company has the distinction of being the first company licensed to offer Takaful (Islamic alternative to the conventional Insurance) in Kuwait.

Over the years, First Takaful has demonstrated several superior qualities such as adaptability, agility, commitment to customer service, credibility and dependability thereby distinguishing it from others. One of our key **differentiators** is that we

work through dedicated professional teams that understand our customer's needs and offer personalized solutions.

Nowadays, First Takaful is an independent, financially strong entity operating fully out of its own funds with a paid capital of KD 10,660,000 and having its own independent management. FTIC is listed in the Kuwait Stock Exchange under (stock symbol: First takaful).

Having Firmly established itself in the local market, First Takaful has started entering into international markets by way ofexpansion. We have already started operations in Turkey and Saudi Arabia.

TAKAFUL

Takaful Insurance is a form of Islamic insurance where members contribute regularly to a fund, from which reimbursements are paid in case of loss or damage incurred by any member. The loss can be related to one's assets, life, health, etc. The fund is managed by a Takaful operator. The literal translation of Takaful means "guaranteeing each other". It is based on a mutual risk transfer arrangement, involving participants and operators. Takaful Insurance provides insurance solutions that comply with Islamic Shari'ah, the Hadith and Qur'anic verses.

VISION

To lead in providing Takaful services thus being the First choice of preferred insurance operators in the region.

MISSION

To continuously provide innovative Takaful Insurance products, value-added services and quality customer care thereby building sustainable and long lasting relationships with our stakeholders.

OUR VALUES

We have embedded the following core values in our system and are committed to creating a culture that promotes the same. Our values are:

• Commitment
• Quality services
• Customer focus
• Integrity and transparency
• Inspiration and excellence

OUR STRATEGY

First Takaful Strategy is aiming at achieving the highest customer satisfaction standards throughout providing the best and unique Takaful services, this strategy helped First Takaful to acquire wide customer's segment in both corporate and individual.

"For All That Matters" is the new slogan that First Takaful chose to promise its customers with innovated services that satisfy their needs considering the risk element they might face.

OUR OBJECTIVES

Continuous improvement of the Customer Services to maintain the highest customer satisfaction standards.

• Introducing new products to meet the special needs of individuals and corporate.
• Dealing with excellent reliable reinsurers to secure best services and protection.
• Focusing on employee's development (especially Kuwaiti fresh candidates) through trainings.
• Concentrating on continuously improving the information technology.
• Increasing the insurance awareness in the Kuwaiti Society.

Chairman's Speech

Praise be to Allah, the God of the Worlds, and blessings and peace be upon the master of the messengers and on his family and companions.

Dear Shareholders
Peace and mercy of Allah and his blessings may be upon you,

Dear Shareholders,

Despite the force majeure conditions imposed by the Corona-Covid 19 pandemic on the entire world and the subsequent economic, political and social repercussions during the past two years, "Al Oula Takaful" maintained during the year 2021 its approach, as in previous years, in enhancing the capital and technical reserves of the shareholders and policyholders' portfolios, in addition to The conservative policy of underwriting to enhance the company's financial solvency and striving to select the best insurance contributions in order to raise the company's efficiency and ability to compete in the market.
Corporate Governance and Social Responsibility

First Takaful continues its full commitment to implement all laws and regulatory decisions issued by the Ministry of Commerce and Industry, the Insurance Regulatory Unit, the Capital Markets Authority and the Kuwait Stock Exchange, as well as its commitment to internal control policies, risk management, principles of good governance and the application of the tax compliance law, as well as its full commitment to the provisions of Islamic Sharia in its insurance transactions. Reinsurance and investments.

First Takaful was keen to adhere to its social responsibility and organize awareness campaigns, as First Takaful set its sights on the commitment to its social responsibility by promoting insurance awareness among individuals and all sectors in the State of Kuwait. Accordingly, the company's management issued twenty-four periodic bulletins until 2021 to raise awareness Insurance at the insurance market in Kuwait.

Shareholder Results:

First Takaful achieved a profit of 64,414 KD in 2021. In return for a loss of (5,696,782 KD) For the year 2020, with a profit of 101%, as this profit is mainly due to recording real estate investment income in Dubai, achieving a profit per share of 0.6 fils in 2021, compared to a share loss of 53.44 fils in 2020, and the shareholders' equity for the current year amounted to 8,064,198 KD. For 7,999,784 KD. Last year, an increase of 0.8%, and the total assets of shareholders in the current year amounted to KD 13,324,637. For 14,255,367 KD. In the previous year, a decrease of 6.5%.

We would like to draw the attention of the shareholders that in the current year, specifically in October 2021, the company entered into a new investment in the United Arab Emirates, where the company purchased a 19.9% stake in the equity of the Strive Group Services Company, with a value of 20,858,295 AED, equivalent to 1,709,546 dinars d. It also purchased a 10.5% stake in the equity of Belqis Residence Company (Yotel The Palm Hotel – under construction) at a value of 37,695,000 AED, equivalent to 3,089,482 KD, with a total value of the two investments amounting to 4,799,028 KD.

It is worth noting that, as is customary in "First Takaful" - thankfully - no penalties or violations were imposed by the regulatory authorities on the company during the year 2021.

The remuneration of the members of the Board of Directors, the remuneration for attending the committees emanating from it during the year 2021, and the monthly bonuses, benefits and salaries obtained by the executive management are attached to the report of the Nomination and Remuneration Committee in the annual report for your information.

Policyholders portfolio results:

In 2021, the global insurance market witnessed a remarkable recovery, especially after the lifting of many restrictions globally and the cancellation of many requirements related to the Corona - Covid 19 pandemic, as normal life returned to its previous era, and economic activity gradually returned to growth and institutional sectors returned to work at their full capacity, which led To the return of insurance and reinsurance companies to compete in the insurance market locally and globally and to take the initiative to provide the best insurance services to its customers to compensate for any shortcomings made during the pandemic period.

Praise be to God, and despite the repercussions of the Corona pandemic, First Takaful was able to rise and return to serving its customers to the fullest. The company has always set its sights on developing modern technology systems to serve the company's customers and shareholders. During the year, all reinsurance agreements were renewed.

Subscriptions for the fiscal year 2021 amounted to KD 3,317,018. Compared to what the company achieved in the fiscal year 2020, which amounted to 2,753,644 KD. With an increase of 563,374 KD. By 20.4%, this increase in the value of contributions is attributed to the gradual return to normal life in the State of Kuwait and the removal of most restrictions and health requirements, which led to a remarkable recovery in the local market.

The insurance policyholders portfolio for the year 2021 recorded an insurance deficit of (55,486 KD) compared to an insurance deficit of (808,382 KD) achieved in 2020, that the loss incurred by the company as a result of making provisions for risks that occurred and have not yet been reported (IBNR) In addition to provisions for doubtful amounts related to recoveries from local insurance companies. Note that according to the requirements of the Insurance Regulatory Unit in the Executive Regulations of Law No. 125 of 2019 regarding insurance regulation, which provides for the submission of a study by an actuarial expert to calculate technical provisions, the expert Actuarial After examining and studying the insurance portfolio of the company by calculating technical provisions for the company estimated at KD 2,800,955 and accordingly and in line with the hedging policy pursued by "First Takaful", the company has formed technical provisions of KD 3,040,495, i.e. in excess of the provisions set by the actuary In the amount of 239,540 KD, in anticipation of any emergency in the future.

My brothers shareholders:

The first Takaful is concerned with the development of human resources, considering that the human element is the cornerstone of the company and the backbone of the success of the development strategy, and accordingly the company continues to pay attention to training and developing the administrative and technical skills of all its employees to advance the company's technical, financial, administrative and supervisory work and to create a second class qualified to lead the company in the future.

The company will continue to make more efforts to achieve positive results as well as enhance its market share in the insurance sector.

Insurance supervision

After the establishment of the Insurance Regulatory Unit to supervise and control the insurance sector in the State of Kuwait, especially after the adoption of Insurance Law No. 125 of 2019 and the issuance of the executive regulations of Law No. 125 of 2019 regarding insurance regulation, this led to a significant improvement in the performance of operating companies and reduced negative competition between Companies, however, there are still a lot of efforts to be made by the unit to upgrade the Kuwaiti insurance market to keep pace with its counterparts in other neighboring countries and global insurance markets, especially with regard to regulating the market in terms of prices, reviewing the licenses granted to some insurance companies, and obligating companies to a certain level to serve their customers in order to improve quality The general appearance of the local insurance market.

Thanks and appreciation:

In conclusion, we ask God Almighty to help us to achieve what we aspire to, for the good of our beloved country, the company, and our valued shareholders under the leadership and directives of His Highness the Emir of the country, his trusted Crown Prince, and His Highness the Prime Minister, may God preserve and protect them. We also extend our thanks to the shareholders and members of the Supervisory Board The legality, the executive management, the company's employees, the Insurance Regulatory Unit, the Ministry of Commerce and Industry, the Capital Markets Authority, the Kuwait Stock Exchange, and the company's clients. We also extend our thanks to the Kuwait Insurance Federation and those in charge of it and its effective role in raising insurance awareness and organizing training programs and workshops. We also register our thanks to the reinsurers and insurance brokers and all other competent authorities We also pray to God Almighty to guide us to further progress and prosperity.

Peace, mercy and blessings of God ,,,

Abdullah Abdul Razzaq Al-Asfoor
Chairman of Board of Directors

BOARD OF DIRECTORS

Abdullah Abdul Razzaq Al Asfour

Chairman of the Board - Non-Executive Member

Hussain Ali Al-Attal

Member of the Board of Directors and
Chief Executive Officer - Executive Member

Layla A. Al-Ibrahim

Member of the Board of Directors - Non-Executive Member

Rami Habli

Member of the Board of Directors - Non-Executive Member

Osama Abdul Latif Al Abdul Jalil

Member of the Board of Directors - Non-Executive Member

Bader Jassim Alhajeri

Member of the Board of Directors - Non-Executive Member

Saleh Al-Tnaib

Member of the Board of Directors - Non-Executive Member

Malik Salim Oraikat

Secretary of the Board

In The Name of Allah Most Gracious Most Merciful

Fatwa and Shari›a Supervisory Board Report

Praise be to Allah, Lord of the Worlds, and prayers and peace be upon the noble prophets and messengers our master Muhammad and his family and companions.

The Fatwa and Shari›a Supervisory Board of First Takaful Insurance Company KSPC is pleased to submit to you its report on the company's transactions and operations for the financial year ended 31/12/2021 for presentation to the company's general assembly.

On the basis of a statement by the Chairman of Fatwa and Shari›a Supervisory Board, Sheikh Dr. Anwar Shuaib Abdul Salam, delegated to monitor and follow up all the company's business from Shariah perspective, and based on the Takaful insurance transactions and operations presented, the Fatwa and Shari›a Supervisory Board believes that the company's transactions and operations are aligned to its decisions and recommendations. And so we sign.

Finally, we ask the Almighty Allah to help the company's management and employees achieve success in their work, ensuring the validity of the processes and accuracy of implementation in line with Sharia law.

Allah is All-Hearing and All-Seeing, praise be to Allah, Lord of the Worlds, and may Allah bless our master Muhammad and all his family and companions.

We pray to Almighty Allah to help us achieve further progress and prosperity,,,

Sheikh Dr. Anwar Shuaib Abdul Salam

Chairman of Fatwa and Shari›a Supervisory Board

Dr. Essam El Ghareeb

Member o Fatwa and Shari›a Supervisory Board

Sheikh Dr.
Mohammed Abdul Razzaq Al-Tabtabai

Member of Fatwa and Shari›a Supervisory Board

Shari'a Supervisory Board:

Sheikh Dr.

Anwar Shuaib Abdul Salam

Chairman of Fatwa and Shari'a Supervisory Board

Sheikh Dr.

Mohammed Abdul Razzaq Al-Tabtabai

Member of Chairman of Fatwa and Shari'a Supervisory Board

Dr. Essam El Ghareeb

Member of Fatwa and Shari'a Supervisory Board

Undertaking of Board of Directors on Financial Reports

The Board of Directors of the First Takaful Insurance Company (K.S.C.P) undertakes its responsibility for the integrity and accuracy of all the annual financial statements and reports of the company, based on the information provided by the executive management to the Board of Directors as well as on the commitment of the executive management towards the Board of Directors to present all financial reports in a sound and fair manner.

Board Members of First Takaful Insurance Company		
Member Name	**Designation**	**Signature**
Abdullah Abdul Razzaq Al Asfour	Chairman	
Hussain Ali Al-Attal	Board Member, Vice-Chairman and C.E.O	
Osama Abdul Latif Al Abdul Jalil	Non-Executive Board Member	
Layla A. Al-Ibrahim	Non-Executive Board Member	
Bader Jassim Alhajeri	Non-Executive Board Member	
Saleh Al-Tnaib	Non-Executive Board Member	
Rami Habli	Non-Executive Board Member	

Kuwait: 31/03/2022

First Takaful Insurance Co.
شركة الأولى للتأمين التكافلي

Undertaking of Board of Executive Management on Financial Reports

The Executive Management of the First Takaful Insurance Company (K.S.C.P) undertakes that all financial reports submitted to the Board of Directors of the company are presented in a sound and fair manner, that they include all the financial aspects of the company from operating data results, and that all financial reports have been prepared in accordance with the international accounting standards adopted by the Capital Market Authority.

Chief Executive Officer: **Hussain Ali Al-Attal**

Signature

V.P Finance & Administraion: **Malik Salim Oraikat**

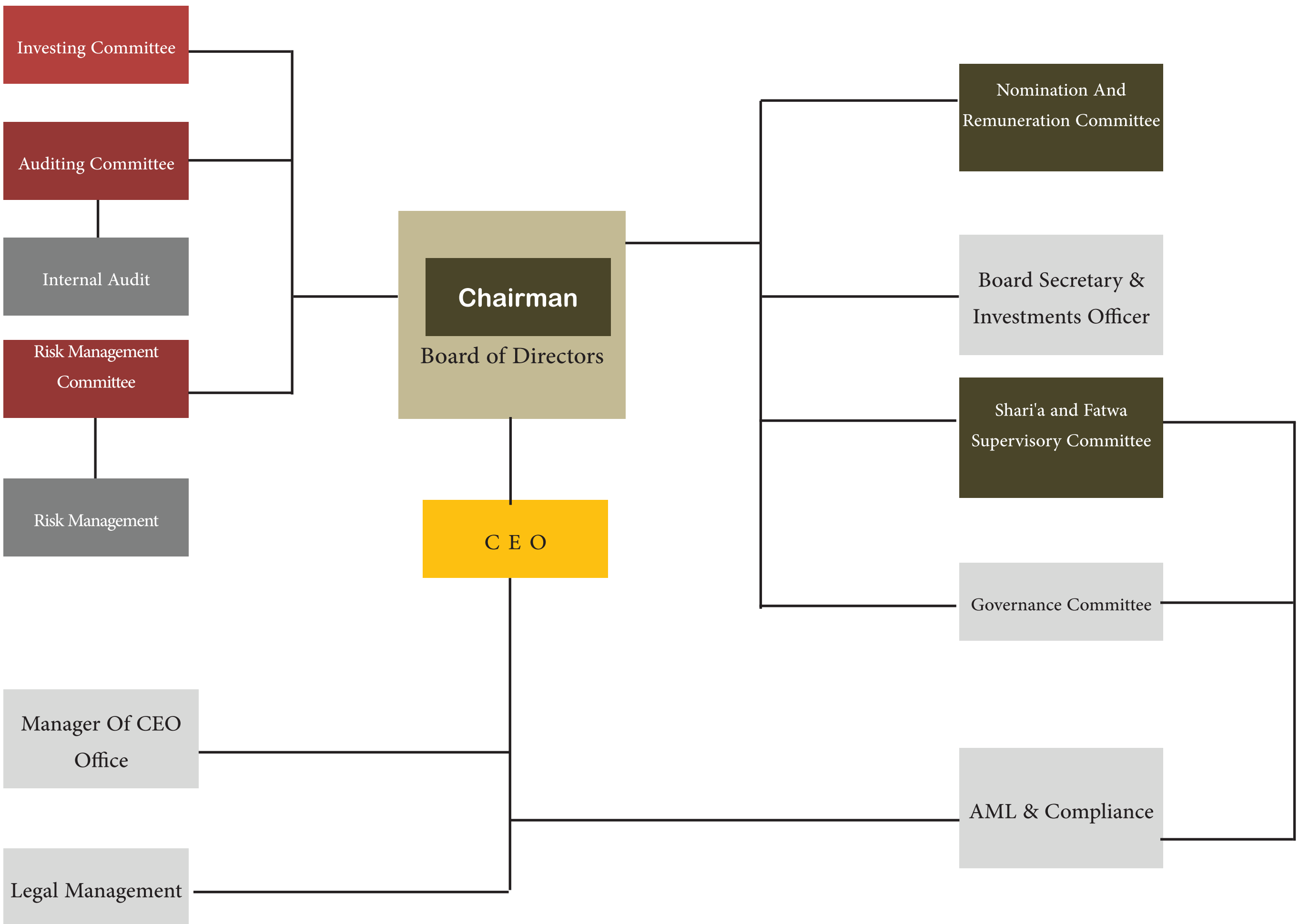
Signature

Kuwait: 31/03/2022

First Takaful Insurance Co
شركة الأولى للتأمين التكافلي

GOVERNANCE:

The First Takaful Insurance Company operates within the framework of good governance through the application of corporate governance rules of principles, systems and procedures through which to achieve the best protection and balance between the interests of the company's management and shareholders as well as stakeholders. Through the application of good governance, First Takaful seeks to enhance investor confidence in the efficiency of the company's performance. And its ability to face crises, the framework of good governance regulates the internal decision-making methodology in the company, and stimulates the commitment to transparency and credibility of those decisions, and the separation of power between the executive management that works on the conduct of the company's business and the board of directors, which prepares, reviews and approves the company's policies and plans gives a comfortable character It is reassuring and enhances a sense of confidence, as this enables shareholders and stakeholders to effectively control the company, and this comes to document and consolidate ethical behavior, control, accountability and sound administrative organization, and work to enhance administrative efficiency, enhance control and audit procedures and enhance social responsibility, and this comes as a commitment from the first Takaful to apply What is stipulated in the fifteenth book (corporate governance) of the executive regulations of Law No Article 7 of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and its amendments - State of Kuwait.



Rule 1 - Building a balanced structure for the Board of Directors:

About the formation of the Board of Directors:
The management of the first takaful insurance company is headed by a seven-member board of directors with diverse experience and skills, elected by shareholders through the General Assembly of the company held on 16/04/2019, with membership for the next three years, to achieve the sustainable value of parties with interests (shareholders, clients, employees and society), and the Board enjoys a majority of non-executive members and an independent member, this reinforces the principle of independence in decision-making and control of the performance of executive management to achieve the desired goals, as well as We recall that on 22/09/2020 there have been some changes in the membership of the Board of Directors. The management of the international resorts company with the remaining membership in the Board of Directors, the reserve member was immediately summoned and they are Messrs. Al-Deira Holding Company, and on 01/12/2020 presented the member of the Board of Directors Messrs. / Dahiya Investment Company and its representative By resigning from the Board of Directors, as with the resignation of Messrs. Dahiya Investment Company, the number of board members is five out of seven members as well as in the statute of the first takaful insurance company.
Accordingly, on 08/03/2021, a regular general assembly was held for the first takaful insurance company, where it was approved to elect two complementary members of the Board: (Messrs. / Al-Nouzha International Real Estate Company and Messrs. / Dahiya Al-Shamia Real Estate Company), and the election of a reserve member (Messrs. / Dahiya Al-Khalidiya Real Estate Company).
The Board of Directors also exercises powers and responsibilities in accordwance with the company's policies and the board's system of work, and the Board of Directors is fully responsible for the "first symbiosis", and includes the scope of the Board's work to name but a few:

- Develop the company's strategy, set the desired goals and draw up the company's future plans.
- Determine the risk trend of the company.
- Work to adhere to and follow up on the standards of good governance.
- Overseeing executive management and monitoring its performance and work including ceo.

The Board's commitment to implementing good governance is also one of the most important axes to ensure the achievement of the company's objectives and the foundations of maintaining the trust granted by shareholders, and the Board of Directors assumes all responsibilities related to the operations of "First Takaful" and its financial integrity, and to ensure that the requirements of regulators are met, the interests of shareholders and employees, and other stakeholders, and ensure that the management of the "first Takaful" is carried out within the scope of the laws, regulations and internal policies adopted for the "first Takaful".

Board members:

Member Name	Title	Qualification and practical experience	election / appointment date
Abdullah Abdul Razzaq Al Asfour	Chairman of the Board - Non-Executive Member	-Bachelor of Accounting - Experience more than 30 years	16 April 2019
Hussein Ali Al-Attal	Vice-Chairman and Chief Executive Officer - Executive Member -	-Bachelor of Business Administration and Marketing -Experience over 30 years	16 April 2019
Laila A. Al-Ibrahim	Board Member - Non-Executive Member	-Bachelor of Economics & Politics - Over 30 years of experience	22 Sep 2020
Bader Jassim Alhajeri	Member of the Board of Directors - Non-Executive Member	-Bachelor of Business management - marketing - Over 20 years experience	08 April 2021
Rami Habli	Member of the Board of Directors - Non-executive member	-Bachelor of Business Administration -Experience more than 20 years	16 April 2019
Saleh M. Altnaib	Board Member - Non-Executive Member	-Master In Accounting - Over 10 years of experience	11 Nov 2020
Osama Abdul Latif Al Abdul Jalil	Member of the Board of Directors – Independent Member	-Bachelor of Law - Experience more than 25 years	16 April 2019
Mr. Malik Salim Erekat	Secretary of the Board	-Bachelor of Commerce in advanced accounting and auditing - experience more than 30 years	25 April 2019

Summary of the most important achievements and decisions taken by the Company's Board of Directors during 2021:

The Board of Directors of The First Takaful was keen to follow up on the implementation of the strategic plans and objectives desired, and works to communicate permanently with the executive management in order to achieve those goals and plans, and the Board of Directors focused on applying the standards of good governance to be the style of work of the company, and through 2021 issued several decisions and achievements, the most important of which are:

- The estimated budget for 2021 and the 2022-2025 action plan were discussed and adopted.
- The approval of the company's draft financial statements for the fiscal year ended December 31, 2020 after the approval of the recommendations of the Audit Committee.
- The contract to provide actuarial services to the company was discussed in accordance with regulatory requirements and approved.
- The modernization of the policies and procedures of the company's departments has been adopted.
- The update of the charter of the committees emanating from the Board of Directors has been adopted.
- The update of the financial and administrative authority matrix has been approved.
- The company's organizational structure has been updated.
- The job description of (Executive Board Member, Non-Executive, Independent, CEO, Secretary of the Board) has been approved.
- The executive management's approval and commitment on financial reports for the fiscal year ended December 31, 2020 has been approved.
- The Board of Directors has approved and pledged financial reports for the fiscal year ended December 31, 2020.
- The endorsement and pledge of informed people has been approved.
- The Board of Directors has been reconstituted.
- Re-nomination and accreditation of board committee members.
- Discussed and approved all audit committee reports on the company's draft financial statements for all quarters of 2021.
- The recommendation of the Nominations and Rewards Committee regarding the updated salary structure was discussed based on a study of the average salaries of insurance market employees in Kuwait, and the updated salary structure was approved in 2021 on the recommendation of the Nominations and Rewards Committee.
- The Board of Directors approved the recommendation of the Board of Directors committees and the Shariah Authority to invest in The Streif Group for Services and Investment in The Hotel Yutel Palm (a 4-star hotel property under construction) for a total amount equivalent to KD 4,799.028 according to the exchange rate of the UAE dirham (Central Bank of Kuwait) as of 21-09-2021.

Recording, coordinating and keeping the minutes of board meetings / secretary's work:

The Secretary of the Board of Directors has prepared a special record of the minutes of the meetings of the Board of Directors of the first takaful insurance company, and the register contains the following information:

- Agenda of each meeting.
- Its history and the seat of the convening.
- The timing of the beginning and end of the meeting.

The Secretary also provides board members with an agenda reinforced by documents and associated documents, long enough to allow members to study agenda items.

The minutes of the Board meetings are signed by all members of the Board of Directors as well as the Secretary, and the Secretary has an important role to play by securing, delivering and distributing the required information and documents, as well as coordinating between the members of the Board of Directors and between stakeholders and other entities associated with the company.

Rule II - proper identification of tasks and responsibilities:

"A summary of how to apply the requirements that allow board members to obtain information and data accurately and in a timely manner"

The company is committed to building a balanced structure for the Board of Directors through the application of good governance assets, where the members of the Board of Directors are provided with the agenda of the meeting supported by all specific topics and reinforced by the necessary documents and information through the various means of communication used in the company and this procedure is implemented by the Secretary of the Board of Directors, which takes place at least three working days before any meeting of the Board of Directors and excludes from that emergency meetings so that members can see and study the topics raised Well before the meeting, this benefits the company's operations and make appropriate decisions in it due to the effectiveness of the board meetings.

Board of Directors/Executive Management Policy:

The first takaful insurance company was keen to provide clear policies and procedures that define the functions, responsibilities and duties of both the Board of Directors and executive management, and to ensure that the organizational structure of the company is transparent and objective in order to allow the decision-making process and the realization of the principles of governance.

The first takaful insurance company also updates these policies and procedures as well as the matrix of financial powers, management and organizational structure periodically,

Organizing board meetings:
Based on the commitment of the first company of takaful insurance to organize periodic meetings, apply the highest standards of governance and meet the requirements of the laws and instructions of regulators Ministry of Commerce and Industry - Corporate Law and the Capital Markets Authority - Corporate Governance, that the number of board meetings not less than (6) meetings per year, and the Board of Directors to hold at least one meeting every quarter.

Summary of the "First Takaful" Board meetings during 2021:

Member name /title	Meeting no. (1/2021) Dated 10/02/2021	Meeting no. (2/2021) Dated 14/03/2021	Meeting no. (3/2021) Dated 31/03/2021	Meeting no. (4/2021) Dated 11/05/2021	Meeting no. (5/2021) Dated 10/08/2021	Meeting no. (6/2021) Dated 21/09/2021	Meeting no. (7/2021) Dated 11/11/2021	Meeting no. (8/2021) Dated 30/12/2021	Number of Meeting	Attendance Percentage
Abdullah Al Asfour Board Chzairman	√	√	√	√	√	√	√	√	8	100%
Hussein Al-Attal Member of Board	√	√	√	√	√	√	√	√	8	100%
Osama Al Abdul Jalil Independent Member	√	√	√	X	X	X	√	X	4	50%
Laila A. Al-Ibrahim Member of Board	√	√	√	√	√	√	√	√	8	100%
Saleh Al-Tnaib Member of Board	√	√	√	√	√	√	√	√	8	100%
Rami Habli Member of Board	-	√	√	√	√	x	√	√	6	75%
Bader Alhajeri Member of Board	-	√	√	√	√	√	√	√	7	87.5 %

The Board of Directors of the first takaful insurance company has scheduled (8) meetings during 2021, and the following table explains the details of these meetings and the number of meetings attended by each member during 2021:

"√" attended the board meeting.
× did not attend the board meeting.
" - "The board meeting was held and did not have the status of a board member.

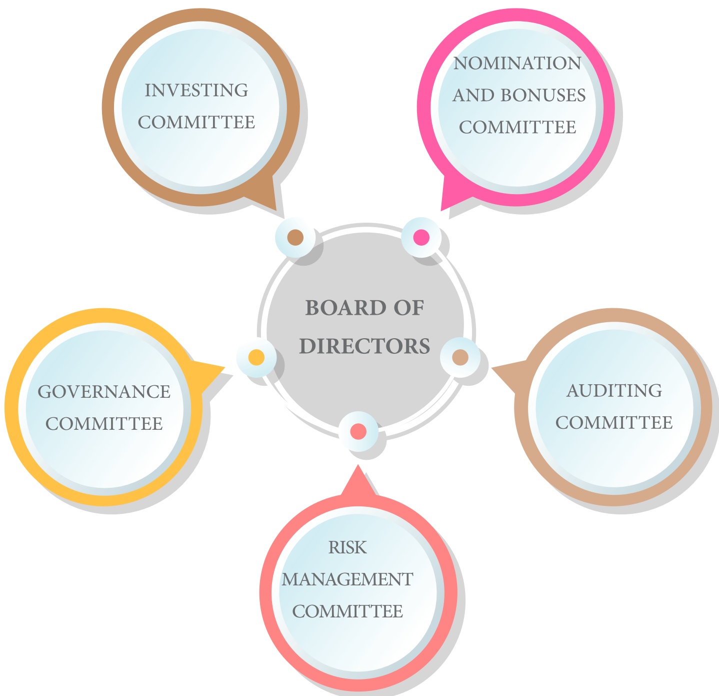
to keep up with any change or update.
Board of Directors' work policy:
The First Takaful Board of Directors' Charter stipulates that the Board conducts direct supervision and control of business administration to protect the interests of stakeholders in terms of the principles of good governance, maintain internal, financial and accounting control and follow-up reports, and comply with the laws and instructions in force from the regulatory bodies, statutes, regulations and internal policies of the company.
Policies and procedures governing the work of executive management:
The company has prepared and implemented a guide to the policies and procedures of all the company's departments, in addition to the policies related to the requirements of the executive regulations - Book XV - Corporate Governance issued by the Capital Markets Authority - Kuwait, as well as policies specific to the requirements of other regulators, and each guide contains the tasks carried out by the competent administration and the obligations placed on it in detail and works on the following:

- Provide efficiency and effectiveness within the company's activities;
- Full separation of powers between jobs.

The company also has a financial and administrative devolution matrix that covers all departments operating within the company's corridors and is updated whenever necessary.

The Board of Directors of the first takaful insurance company has formed committees emanating from it, which are independent in accordance with the company's internal regulations, and include a comprehensive identification of the tasks and responsibilities of the committees and the powers granted to them during the period, as well as how to control them, as well as the committees of the Board of Directors are obliged to inform the Board of Directors of its findings and recommendations,
The committees were reconstituted by members of the Board of Directors on 25/04/2019, and the duration and duration of their work has been determined, with their duration, time and members updated with the election of board members every three years,
On 14 March 2021, members of the Board of Directors committees were reconstituted due to changes in board membership.

The formation of board committees:



Rule 3 - Selecting competent persons for board and executive management:

Nominations and Rewards Committee:

The Nominations and Rewards Committee is a pop-up and specialized committee composed of board members, and the committee performs a range of key tasks as follows:
- Prepare recommendations to the Board of Directors regarding the proposed nominations through a comprehensive and transparent framework for the appointment of board members and senior management of the company;
- Develop a clear policy for board and executive board remuneration;
- Prepare a detailed report on the rewards granted to board members and executive management;
- Ensure that the independent board member does not have the independence of the independent board member.

The formation of the committee:
The company is committed to the formation of board committees in accordance with the regulations and provisions of the 15th Book of Corporate Governance, and the nominations and rewards committee has been formed as follows:
- The committee has three members from the Board of Directors;
- One of the committee's independent members;
- The Chairman of the Committee is a member of the board of directors who are not implementers.

Below are the meetings of the Company's Nominations and Rewards Committee for 2021:

NOMINATION AND BONUSES COMMITTEE			
Members	**Laila Abdul Karim Ibrahim Head of committee**	**Hussein Ali Al-Attal Member of committee**	**Osama Abdul Latif Al Abdul Jalil Member of committee- Independent**
Meeting no. 01/2021	√	√	√
Meeting no. 02/2021	√	√	-
Attendance percentage	100 %	100 %	50 %

The committee's most important achievements during 2021:
- The rewards policy has been reviewed.
- A performance evaluation policy has been reviewed.
- Prepare the detailed annual report on all rewards granted to members of the Board of Directors and executive management, whether amounts, benefits or benefits, and submit the report to the General Assembly of the company for approval, followed by the Chairman of the Board of Directors.
- Update the Charter of the Nominations and Rewards Committee.
- Review the needs of executive management in holding certain executive positions, and authorize the CEO to take all necessary actions.
- Confirm that the independent board member has not been independent by signing the declaration of independence.
- Review and update the organizational structure of the company and the matrix of financial and administrative powers.
- Update the job description of each of the (board members - independent member - CEO - Chairman - Secretary of the Board) and raise to the Board of Directors.

Report of rewards granted to board members and executive management during 2021:

First: The company's rewards and incentives system:

The system of rewards and incentives granted to members of the Board of Directors and executive management in force in the first company of takaful insurance is based on indicators and the level of performance and major achievement at the level of the company in general as well as at the level of individuals in particular, during the year ended, which works to achieve the strategic objectives of the company.

Second: Rewards granted to board members and executive management, whether amounts, benefits or benefits, you will find below the details of the values of all rewards granted:

Rewards and benefits for board members

Total number of members	**Rewards and benefits through the parent company**			**Rewards and benefits through affiliates**			
	Fixed rewards and benefits (KD)	Variable rewards and benefits (KD)		Fixed rewards and benefits (KD)		Variable rewards and benefits (KD)	
	health insurance	Annual reward	Committees Reward	Healthy adoption	Monthly salaries	Annual bonus	Bonus Committees
7			10,750 KD	-	-	-	-

Bonuses and benefits granted to five senior executives who have received the highest rewards, plus the CEO and chief financial officer or those who act if not among them.

Number	Rewards and benefits through the parent company						Rewards and benefits through affiliates	
	Fixed rewards and benefits (KD)					Variable rewards and benefits (KD)	Fixed rewards and benefits (KD)	Variable rewards and benefits (KD)
	Monthly salaries (Total during the year)	health insurance	Securing a life	Annual tickets	Instead of situations	Annual reward	There are no rewards or benefits either fixed or variable through affiliates.	
7	215,835 KD	8540 KD	3511 KD	5889 KD	960 KD	22,390 KD	0	

Bonuses and benefits granted to all employees of the company without adding five senior executives who received the highest rewards and the CEO and chief financial officer or their representatives.

Number	**Rewards and benefits through the parent company**				**Rewards and benefits through affiliates**	
	Fixed rewards and benefits (KD)			**Variable rewards and benefits (KD)**	**Fixed rewards and benefits (KD)**	**Variable rewards and benefits (KD)**
	Monthly salaries(Total during the year)	health insurance	Securing a life	Annual reward	There are no rewards or benefits either fixed or variable through affiliates.	
-	278,505. KD	29,680 KD	5,067.32 KD	16,960 KD	0	

Total bonuses for executive and senior management staff are estimated at 587,337.32 KD

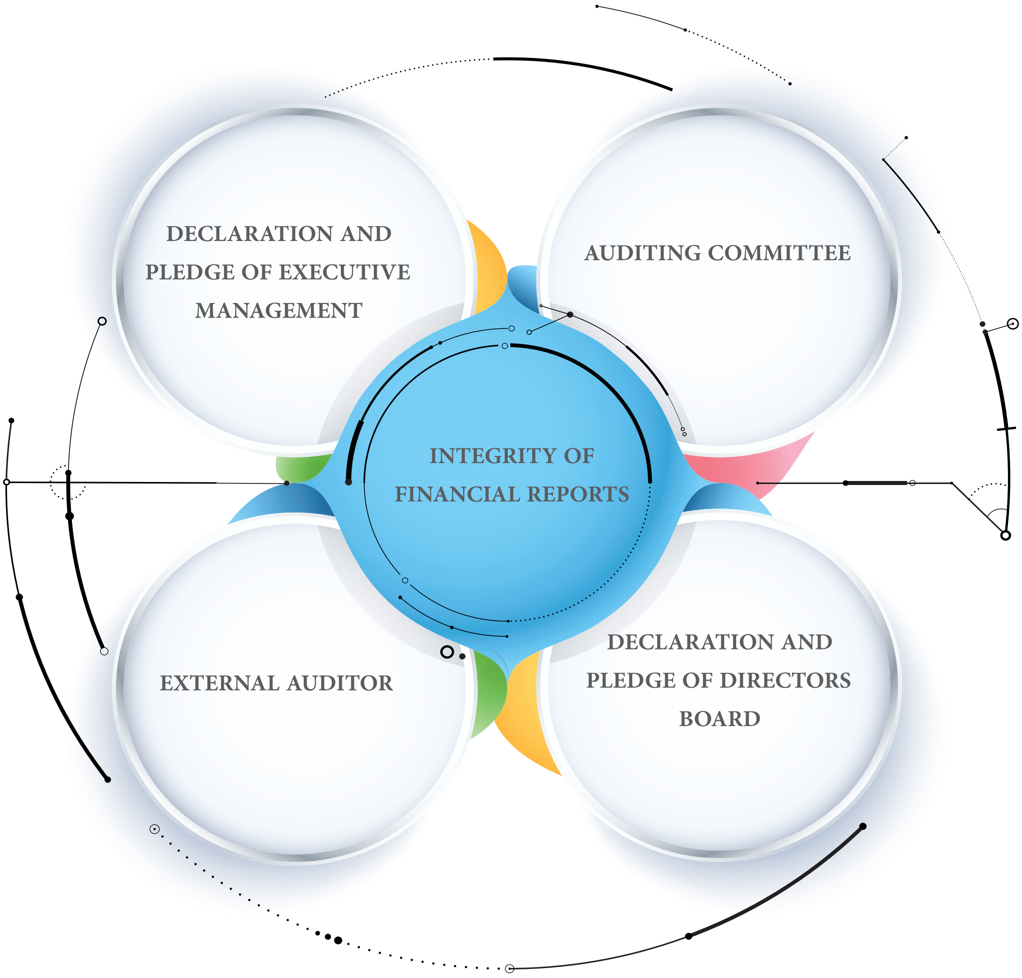
Third: Other rewards awarded directly or indirectly:

- There are no other rewards.

Fourth: Fundamental deviations from the approved rewards policy:

- There are no substantial deviations.

Rule 4- Ensuring the integrity of financial reports:



Declaration And Pledge Of Executive Management About Financial Reporting:

The Company›s Executive Management declares and pledges in written to the Board of Directors that all the financial reports submitted to the Board of Directors are presented fairly and correctly and include all the financial aspects of the Company›s data and operating results. All financial reports have been prepared in accordance with the International Accounting Standards adopted by the Capital Market Authority.

Declaration And Pledge Of Board Of Directors About Financial Reports:

The Board of Directors of the Company declares and pledges the full responsibility on the integrity and validity of all annual financial statements and reports of the Company based on information provided by the Executive Management to the Board of Directors and the Executive Management›s pledges to present all financial reports in a correct and fair manner.

The Audit Committee :

The Audit Committee is an important part of the Board of Directors of the FIRST TAKAFUL Insurance Company. The Committee also undertakes a number of key functions as follows:
- Ensure the integrity of the financial statements of the company;
- Recommend to the Board of Directors the appointment, reappointment or change of external auditors and the determination of their fees;
- the efficiency and effectiveness of internal control systems and ensure compliance;
- Recommend the appointment of the Director of Internal Audit and evaluate the performance and effectiveness of the internal audit management of the company;
-the company›s compliance with legal requirements, policies, systems and related instructions.

The Charter of the Audit Committee also clarifies the main characteristics of the Committee and whether there is any contradiction between the two Recommendations of the Audit Committee and Board of Directors, including the Board of Directors› refusal to follow the recommendations of the Audit Committee, The governance report should include a detailed statement by the Board of Directors detailing the recommendations and the reason or reasons behind the Board of Directors› decision not to comply with them .

Formation Of The Committee:

FIRST TAKAFUL company is committed to the formation of the board of directors committees in accordance with the provisions of the fifteenth book on corporate governance. The Audit Committee was formed as follows:
- The number of members of the Committee is three members of the Board of Directors;
- One member of the Committee is an independent member;
- The Chairman of the Board and the Executive Directors are not members of the Committee.

Below are the meetings of the company's audit committee "First Takaful" for 2021:

AUDIT COMMITTEE			
Committee Members	**Saleh Al-Tanib Head of Committee**	**Rami Habli Member of committee**	**Osama Abdul Latif Al AbdulJalil Member of committee- Independent**
Meeting no. 01/2021	√	√	√
Meeting no. 02/2021	√	√	√
Meeting no. 03/2021	√	√	√
Meeting no. 04/2021	√	√	√
Attendance percentage	100 %	100 %	100 %

The committee's most important achievements in 2021:

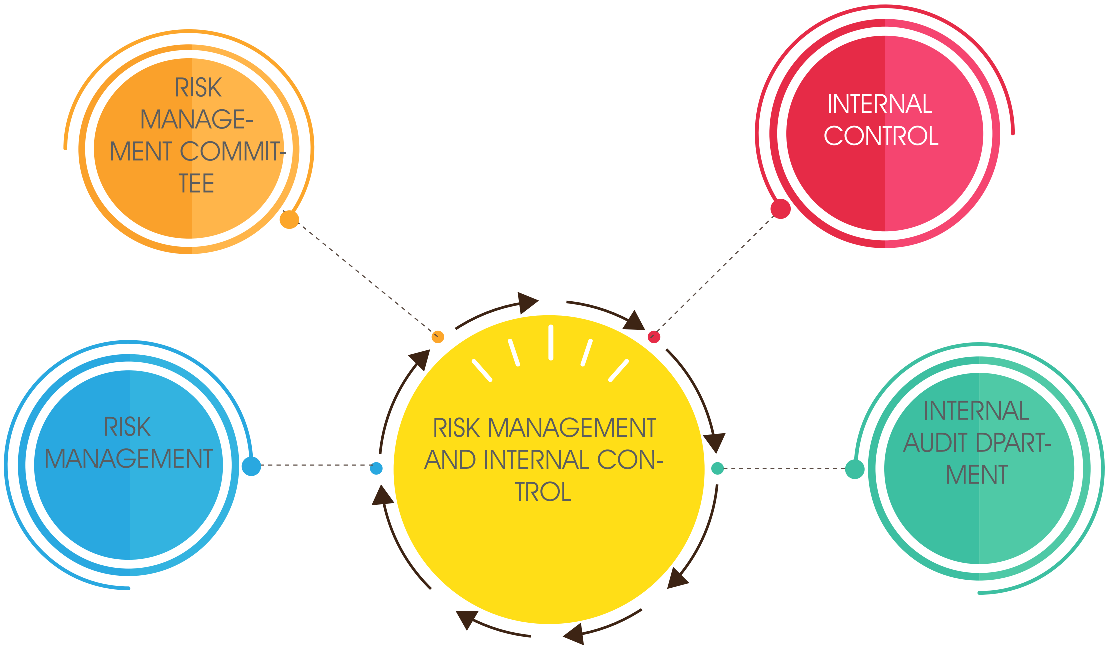
- See and discuss the Company's draft annual financial statements for the fiscal year ended December 31, 2020 and the Board's recommendation for accreditation.
- Review and approval of the report issued by the Internal Auditor (Procabita Management Consulting) "on the review and evaluation of the internal control systems applied in the company" - as of December 31, 2020.
- Review and adopt the report issued by the Audit Committee on "assessing the adequacy of the internal control systems applied within the company in addition to the opinion and recommendations of the Audit Committee in this regard" as of December 31, 2020 and recommending to the Board of Directors to adopt the report.
- Review and discussion of the report issued by an independent audit office (Grant Thornton, Kuwait) on "Evaluation and review of internal control report systems and the report of the Capital Markets Authority (Kuwait).
- See, discuss and approve reports issued by the internal auditor (Procabita Management Consulting).
- The internal auditor's evaluation for the period ended December 31, 2020 has been approved.
- See and discuss the Company's draft interim financial information for the financial period ended March 31, 2021 and the Board's recommendation for accreditation.
- See and discuss the Company's draft interim financial information for the financial period ended June 30, 2020 and the Board's recommendation for accreditation.
- See and discuss the Company's draft interim financial information for the financial period ended September 30, 2020 and the Board's recommendation for accreditation.
- Internal audit policies and procedures have been reviewed and adopted.
- The Board of Directors recommends the reappointment of Messrs. Grant Thornton Kuwait as the Company's external auditor to carry out external audits for the fiscal year ended December 31, 2021 , confirming the independence of the auditor, and reviewing the audit officer's appointment letter.

External Auditor:

The first Takaful insurance company has an auditor who is registered with the CMA's auditors' register, is fully independent of the company's "first takaful" and its board of directors, and the company allows the auditor to discuss his or her own with the audit committee by inviting him to attend the meetings of the Audit Committee, and is able to attend general assembly meetings and read out the report prepared by him to shareholders, and the auditor has great powers to inform the CMA of any irregularities or impediments in detail.

The representative of the Office of the External Auditor of Al-1st Takaful Insurance company attended four meetings of the Audit Committee for 2021 and discussed with the members of the Committee all financial statements.

RULE FIVE - DEVELOPMENT OF RIGHT SYSTEMS FOR RISK MANAGEMENT AND INTERNAL AUDITING



Risk management:

The company's risk management identifies, measures and follows up on the risks surrounding the company and makes appropriate recommendations to the Board of Directors, and risk management officers have full independence and dependency on the Risk Management Committee of the Board of Directors, and have great powers to carry out their tasks to the fullest.
Procabita Management Consulting provides risk management advisory services to the first takaful insurance company.

Risk Management Committee:

The Risk Management Committee is a specialized risk management committee that is emerging and formed by the Board of Directors, and the Committee performs its role and key functions as follows:
- Identify and evaluate the main risks surrounding the company as well as strategic and operational risks;
- Prepare and review risk management policies before they are adopted by the Board of Directors;
- Ensure that risk management is independent and that management staff have a full understanding of the risks surrounding the company;
- Prepare periodic reports on the nature of the risks to the company and submit them to the Board of Directors.

The formation of the committee:
The company is committed to forming board committees in accordance with the regulations and provisions of the 15th Book of Corporate Governance, and the Risk Management Committee has been formed as follows:
- The committee has three members on the Board of Directors;
- The Chairman of the Committee is a non-executive board member;
- The Chairman of the Board of Directors is not a member of the Committee.

RISK MANAGEMENT COMMITTEE			
Committee Members	**Rami Habli Head of committee**	**Hussein Al-Attal Committee Member**	**Badr Jassim Al Hajri committee Member**
Meeting no. 01/2021	√	√	√
Meeting no. 02/2021	√	√	√
Meeting no. 03/2021	√	√	√
Meeting no. 04/2021	√	√	√
Meeting no. 05/2021	√	√	√
Attendance percentage	100 %	100 %	100 %

The committee's most important achievements during 2021:

- Review and approve the company's risk management plan (2021-2022).
- See and review (update) risk management policies and dares and recommend approval from the Board of Directors.
- See and review the risk management report as of June 30, 2021.
- See, review and accreditation for the semi-annual risk management report as of December 31, 2020.
- See and review the updated risk trend and recommend accreditation by the Board of Directors.
- Review the results report of the transaction management review of the relevant parties, and the recommendations issued by the report, and the Board of Directors has been recommended to approve the proposed transactions with related parties.

Internal control:

The first takaful depends on a set of control regulations and regulations covering all the company's business and management, and these systems and rules work to maintain the integrity of the company's financial position, the accuracy of its data and the efficiency of its operations in various aspects, and reflects the organizational structure of the company's dual control controls and includes the proper identification of powers and responsibilities, full separation of functions and non-conflict of interest, inspection and double control and dual signature.

Evaluating and reviewing internal control systems:

A report evaluating the internal control systems of the first takaful insurance company was prepared by an independent audit office for the fiscal year ended December 31, 2021, and this report included an examination of the regulatory environment within the company and the extent of the company's commitment to apply the rules of corporate governance issued by the Capital Markets Authority - Kuwait, this report was submitted to the Board of Directors and the Capital Markets Authority, and the report showed the company's commitment to basic internal control systems in line with the rules of the Capital Markets Authority - Kuwait, The report also indicated that there were no new observations on the company, and that all observations of previous years had been corrected.

Internal Audit Department:

The company's internal audit department reviews and evaluates internal control systems, evaluates the performance of executive management in the application of internal control systems, reports to the Committee, its administrators are fully independent, and the company's internal audit department follows the audit committee and by extension the Board of Directors.

Procabita Management Consulting provides advisory services in the Internal Audit Department.

Rule VI - Promoting professional conduct and ethical values:

Labor Charter:
The company has a business charter with comprehensive standards and behavioral determinants developed by the Board of Directors to establish ethical concepts and values, and the executive branch works with these standards and determinants to achieve the company's ambitions and objectives, it contributes to the performance of tasks to the fullest.
Where the Board of Directors of The First Takaful Insurance Company has adopted policies and procedures that achieve the highest percentage of determinants and behavioral standards of the Company's Charter of Business, below are some policies and procedures as an example of application for the company's operations:

- A guide to disclosure policies and procedures;
- Internal reporting policy;
- Shareholder relations policy;
- The policy of the relevant parties and investor affairs;
- A policy of conflict of interest;
- The policy of transactions of the relevant parties;
- Code of Conduct.

Conflict of interest:

The policy of conflict of interest in the first takaful works to reduce the conflict of interest between the company and the relevant parties, as well as to identify cases that may lead to a conflict of interest in the future, and works to address and reduce such operations, and the policy of conflict of interest contributes to the protection and integrity of the reputation of the company and the relevant parties.
A policy of conflict of interest obliges members of the Board of Directors and executive management to disclose any common interests with the company, and to separate personal interests from official liabilities in the company, as it prevails over the interests of the company over the interests of its members.

Governance Committee:

The Governance Committee is a specialized committee on the governance of the company and is a pop-up and a problem by the Board of Directors, and the committee performs its role and main functions as follows:

- Follow-up on the company's application and compliance with corporate governance rules;
- Prepare a detailed annual report on the extent to which corporate governance rules are applied in the first takaful insurance company;
- Make recommendations to the Board of Directors in all matters of corporate governance;

The formation of the committee:
The Board of Directors of the company has formed a committee of its own specialized in the rules and provisions of good governance working to apply the best practices in force, and the governance committee has been formed as follows:

- The committee has three members on the Board of Directors;
- The Chairman of the Board of Directors is the Chairman of the Committee;
- The CEO of the company is a member of the committee.

Committee meetings:

- The governance committee meets at least once a year and the number of meetings can be increased as needed.
- Managers who are not members of the Committee are entitled to attend meetings at the invitation of the President
The committee.

GOVERNANCE COMMITTEE			
Committee Members	**Abdullah Al Asfour** **Head of committee**	**Hussein Al-Attal** **Committee Member**	**Laila A. Al-Ibrahim** **committee Member**
Meeting no. 01/2021	√	√	√
Attendance percentage	100 %	100 %	100 %

The committee's most important achievements during 2021:

- Preparing and adopting the company's governance report for 2020 and submitting it to the General Assembly and providing it to the Capital Markets Authority - Kuwait.
- Approval of the CEO's authorization to follow up on the semi-annual governance report submitted through the Capital Markets Authority portal - Kuwait.
- Adoption of the Action Plan for Regulatory Compliance Management and Anti-Money Laundering 2021.
- Authorize the CEO to follow up on the regulatory compliance management action plan.
- Update the Charter of the Governance Committee.

Investment Committee :

A committee has been formed from the Board of Directors for investment, aimed at establishing an effective investment policy, which is one of the main responsibilities of the Board of Directors, and the objectives of the Investment Committee are to develop investment policy and follow up its implementation and performance with the executive management while the Board of Directors reviews and approves the policy.

Committee functions:

- Review the company's investment plan and policy, and recommend to the Board of Directors to approve it .
- Assess the performance of the company's investments and ensure that they do not depart from the approved investment plan and policy.
- Periodic review of the costs and benefits of the company's investments in light of the planned strategy and related risks.
- Review and evaluate the contracts concluded by the Executive Management with local and foreign investment entities and companies to manage the company's investments within the investment plan and policy.
- Continuously analyze investment risk and reduce risk.

The formation of the committee:

- The Board of Directors formed the investment committee, which numbered three members of the Board.

INVESTMENT COMMITTEE			
Committee Members	**Badr Jassim Al Hajri** **Head of committee**	**Hussein Al-Attal** **Committee Member**	**Saleh Al-Tanib** **committee Member**
Meeting no. 01/2021	√	√	√
Meeting no. 02/2021	√	√	√
Meeting no. 03/2021	√	√	√
Attendance percentage	100 %	100 %	100 %

- The Committee is convened if the Chairman of the Committee or two members of its members or the Board of Directors request, with the request for a meeting indicating the reasons for it.

Committee meetings:

- The Committee adopts the timetable for its meetings before the beginning of each fiscal year.
- The Committee holds a regular meeting inside or outside the company's headquarters if required at least every six months and invites at least three days ahead of schedule with its agenda and annexes, and at least half of the committee members are required to attend the quorum.
- The Committee is convened if the Chairman of the Committee or two members of its members or the Board of Directors request, with the request for a meeting indicating the reasons for it.

The committee's most important achievements during 2021:

- He studied an investment opportunity in the Islamic insurance sector by introducing an savings insurance product to enable Muslims in Pakistan to perform hajj and umrah as well, after reviewing the annexes to the expansion investment opportunity and studying the economic feasibility of the project prepared by Ernst & Young, the Committee decided to raise its recommendation to invest in this strategic expansion of the Board of Directors by a maximum of US$3 million.
- Review and discuss the details of investment offers submitted by Messrs. / Al Nouzha International Real Estate Company (LLC). Based on the investment agreement concluded.

• The Fair Value Assessment Report submitted by Messrs. / National Investment Company on the Fair Value of The Streif Services Group was discussed and the Fair Value Assessment Report submitted by Messrs. / National Investment Company on the fair value of the freehold right at The Yutel Palm Hotel (a 4-star hotel property under construction) was discussed.

• Members of the Investment Committee were briefed on the results of the risk management committee's report, which recommended that the Board of Directors approve the proposed transactions with the relevant parties.

• Inform the members of the Investment Committee of the approval of the Shariah Authority on the proposed transactions.

• Approval and recommendation to invest in Streif Services Group (the group's main activity is the provision of facilities management and property security services) with a share of 19.9% of the property rights and a value of AED 20,858.295 equivalent to KD 1,727.307.

• Approval and recommendation to invest in The Yutel Palm Hotel (a 4-star hotel property under construction) with a 10.5% share of the property rights with a value of AED 37,695,000 and AED 3,121.579.

• Approval to sell a property owned by the company in the United Arab Emirates in Laguna Tower LT2121 for a sum of AED 1,281.631 due to the company's need for liquidity and to submit its recommendation to the Board of Directors to take what it deems appropriate.

Rule 7 - Accurate and timely disclosure and transparency:

Supply and disclosure mechanisms:
The company has been keen to apply the best disclosure mechanisms, where the Board of Directors adopted disclosure policies and procedures that include methods and methods of disclosure of material data and information, and it allows full transparency of all information and data to be presented in a timely manner, and the Board of Directors reviews these disclosure mechanisms periodically to keep up with international best practices.

Disclosure record:

The company organizes the disclosures of the members of the Board of Directors and executive management through a register of their disclosures, as this register is available to all shareholders of the company without fees or fees, and the company updates this record periodically to reflect the reality of the situation of the relevant parties.

Investor Affairs Unit:

The company has a unit that regulates investor affairs, and is responsible for providing all the necessary data, information and reports to potential investors, and this unit is highly independent, providing these data and reports in a timely and accurate manner, through all the established means, and provided a full page through the company's website to the Investor Affairs Unit containing all the contact details of the official of this unit.

technology:

The company works heavily on technology, as it contributes to communication with shareholders, investors and stakeholders through the use of information technology, and provided "First Takaful" a full section of its website for corporate governance and company disclosures, so as to display all recent data and information that enables both current and potential shareholders and investors to exercise their rights to evaluate the company's performance.

RULE 8- RESPECT FOR SHAREHOLDERS' RIGHTS:

Shareholders' equity:

The company's rules, policies, regulations and internal controls ensure justice and equality of shareholders' rights, and shareholders have public rights that they exercise as accountability to the Board of Directors, monitoring the company's performance, as well as electing board members and others.

The "first takaful" gives shareholders their full rights without any discrimination and in a manner that does not harm the interests of the company or is contrary to applicable laws and regulations.

Clearing agency:
The company is keen to take into account the accuracy and continuous follow-up of the data of the shareholders by establishing a special register kept by the clearing agency where it restricts the names of the shareholders in the company and the number of shares owned by each of them, and the company is keen to update the data recorded in it as soon as there is a change by marking the shareholders' register to reach the highest stages of accuracy.

Encourage shareholder participation:

The right to participate and vote in the General Assembly of the company is an inherent right of all shareholders, the company was keen to activate this role by directing an invitation to shareholders to attend the General Assembly meeting including all data and information related to the agenda items, as well as the right of shareholders to authorize others to attend the General Assembly meeting through a special power of attorney or authorization in this regard, and enables the company shareholders who own 5% of the company's capital to add items on the agenda, and allows the company to shareholders Disclosure statements to board members and executive management members.

Rule 9 - Recognizing the role of stakeholders:

Stakeholders:
The recognition of the rights of stakeholders contributes to strengthening the framework of mutual cooperation between the company and stakeholders, and the company works to respect and protect the rights of stakeholders, the policies and procedures developed by the company ensure full protection and equal treatment with members of the Board of Directors without discrimination, work to establish good relations with the company's customers and suppliers and maintain the confidentiality of information about them, and indicated the automated policy of filing and resolving complaints as well as procedures that preserve the rights of stakeholders.
Encourage the participation of stakeholders:
The company provides the opportunity for stakeholders to obtain all information and data relevant to their activities, and the company has provided the mechanism for reporting any improper practices to which stakeholders are exposed by the company, while providing full protection to whistleblowers.

Rule 10 - Enhancing and improving performance:

Encourage improved performance:

The company's interest in promoting the development and improvement of efficiency and performance has contributed to the development of mechanisms and systems that allow members of the Board of Directors and executive management to obtain programs and training courses related to the company's activities and work, through induction programs such as the company's strategy and the financial and operational aspects of newly appointed members, as well as the inclusion of programs, workshops and conferences for current members and executive management.
Therefore, several workshops have been held:

- Special workshops for board members: -

An introductory workshop was set up for the members of the Board of Directors for the first company of takaful insurance and its insurance activities.

A introductory program has been made for the members of the Board of Directors, the secretaries of the Board and the committees on the most prominent points related to resolution 21 of 2021 on the Executive Regulations of the Law (125) for 2019 on the regulation of insurance in the State of Kuwait

- Some workshops, courses and conferences for executive management:

◊ Course - responsible touches.
◊ Course - Legal and administrative system for contracts and tenders.
◊ Course - governance, disclosure and transparency of companies in accordance with the instructions of the Capital Markets Authority and companies.

- Performance rating:

The evaluation of the performance of the members of the Board of Directors and executive management is based on qualitative performance indicators and quantity specified by the company, the most important qualitative indicators on which performance evaluation systems are based are interaction and response to the objectives to be achieved and infect the observations received from the regulators, control and solve problems, as well as participation in courses and the extent to which they relate to the activity of the company and work.
Quantitative indicators are subject to returns on average assets as well as on average shareholders of net profit margin and annual returns.

Creating institutional values:
The company's vision and mission works to create an environment suitable for institutional values of an effective and productive nature, it contributes to improving performance rates and works to instill the institutional values of its employees, and this contributes to the advancement of work and maintaining the financial integrity of the company, the reflection of our values in the overall activities and products of the company has created a culture of compliance with laws and decisions regulators as well as the provision of services in high quality, honesty, honesty and transparency in dealing with customers, it helps to achieve strategic objectives For the company.

Rule 11 - Focus on the importance of social responsibility:
Social responsibility:

The activity of social responsibility is focused on the first takaful to achieve its social duty as a key partner in the development of Kuwaiti society, by contributing to the development of living, social and economic conditions in the country, it comes through the company's support for all sectors in the country, the importance of social responsibility is to strengthen the relationship between the company and society.
To name a few, you will find some of the activities of the first takaful insurance company as follows:

- "Job Fair" the first takaful participated in the Job Opportunities Exhibition for National Cadres held in the General Workforce Authority.

- "Security Plastic Recycling Wish" provides the first takaful security containers to rotate plastic within the company's facilities to collect and sort plastic from waste in order to recycle it and preserve the environment.

- A "periodic bulletin" that publishes periodic educational publications that promote insurance awareness and highlight the culture and importance of insurance within the community in Kuwait.

End of the report,


Embrace your Past
Seize the Present
Foresee your Future
الأولــى تكافــل
FIRST TAKAFUL
For All That Matters • لكل ما هو مهم

Financial statements and independent auditor's report

First Takaful Insurance Company – KPSC

Kuwait

31 December 2020

Contents

Independent auditor's report
To the Shareholders of
First Takaful Insurance Company – KPSC
Kuwait

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of First Takaful Insurance Company - KPSC ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Valuation of investment properties
The Company's investment properties represent a significant part of the Company's total assets. The valuation of investment properties is a significant judgment area requiring a number of assumptions including market knowledge, recent transactions for other similar properties, uncertainties and liquidity in the market. Changes in these assumptions and judgments could lead to significant movements in valuation of investment properties and consequently unrealized gains or losses in the statement of profit or loss. The Company's disclosures about its investment properties are included in Note 10.

Our audit procedures included assessing the appropriateness of management's process for reviewing and assessing the work of the external valuers and the valuations including management's consideration of competence and independence of the external valuers. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with the management and challenging the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties. We also obtained the underlying information provided by management to the independent valuers in relation to valuation assumptions to confirm that it was consistent with the information obtained during our audit.

Other information included in the Company's Annual Report for the year ended 31 December 2021
Management is responsible for the other information. Other information consists of the information included in the Company's Annual Report for the year ended 31 December 2021, other than the financial statements and our auditor's report thereon. We obtained the report of the 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.

Independent Auditor's Report to the Shareholders of First Takaful Insurance Company - KPSC (continued)

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in 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 Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.

Independent Auditor's Report to the Shareholders of First Takaful Insurance Company - KPSC (continued)

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

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 Company and the financial statements, together with the contents of the report of the Company's board of directors relating to these 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 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 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, the Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business or financial position of the Company.

We further report that, to the best of our knowledge and belief, no violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its relevant regulations have occurred during the year ended 31 December 2021 that might had a material effect on the business or financial position of the Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
22 March 2022

IStatement of profit or loss

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Revenue			
Rental income	10	**106,578**	-
Expenses and other charges			
Change in fair value of investment properties	10	**182,888**	(403,660)
Loss on disposal of an investment property	10	**(20,574)**	-
General and administrative expenses		**(201,507)**	(593,003)
Loss on disposal of an associate	8	**-**	(4,700,119)
		(39,193)	(5,696,782)
Profit/(loss) for the year before provision for National Labour Support Tax (NLST) and Zakat		**67,385**	(5,696,782)
Provision for NLST		**(2,296)**	-
Provision for Zakat		**(675)**	-
Profit/(loss) for the year		**64,414**	(5,696,782)
Basic and diluted earnings/(loss) per share	6	**0.6 Fils**	(53.44) Fils

The notes set out on pages 43 to 90 form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Profit/(loss) for the year		**64,414**	(5,696,782)
:Other comprehensive income			
Items that will be reclassified subsequently to statement of profit :or loss			
Exchange differences recycled to statement of profit or loss on - disposal of associate	8	-	4,940,817
Total other comprehensive income		-	4,940,817
Total comprehensive income/(loss) for the year		64,414	(755,965)

The notes set out on pages 43 to 90 form an integral part of these financial statements.

Statement of financial position

	Notes	31 Dec. 2021 KD	31 Dec. 2020 KD
Assets			
Bank balances	7	**6,077**	660,350
Investment in associates	8	**720,001**	1
Investments at fair value through other comprehensive income	9	**4,799,030**	2
Investment properties	10	**3,668,304**	3,611,340
Advanced payment for investments	11	**-**	6,106,011
Qard Hassan to policyholders' fund	12	**3,268,970**	3,213,484
Due from Parent Company	18	**613,773**	613,893
Other assets		**248,482**	50,286
Total assets		**13,324,637**	14,255,367
Equity and liabilities			
Equity			
Share capital	13	**10,660,000**	10,660,000
Statutory reserve	14	**336,226**	336,226
Voluntary reserve	14	**306,980**	306,980
Fair value reserve		**173,153**	173,153
Foreign currency translation reserve		**(282,917)**	(282,917)
Accumulated losses		**(3,129,244)**	(3,193,658)
Total equity		**8,064,198**	7,999,784
Liabilities			
Policyholders' deficit reserve	12	**3,268,970**	3,213,484
Amount due to policyholders	15	**1,724,863**	2,583,735
Other liabilities		**266,606**	458,364
Total liabilities		**5,260,439**	6,255,583
Total equity and liabilities		**13,324,637**	14,255,367

Abdullah A. Al-Asfour
Chairman

Hussain Ali Mohammed Al-Attal
Vice Chairman & CEO

The notes set out on pages 43 to 90 form an integral part of these financial statements.

Statement of changes in equity

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Accumulated losses KD	Total KD
Balance at 31 December 2020	10,660,000	336,226	306,980	173,153	(282,917)	(3,193,658)	7,999,784
Total comprehensive income for the year	-	-	-	-	-	64,414	64,414
Balance at 31 December 2021	10,660,000	336,226	306,980	173,153	(282,917)	(3,129,244)	8,064,198
Balance at 31 December 2019	10,660,000	336,226	306,980	173,153	(5,223,734)	2,503,124	8,755,749
Loss for the year	-	-	-	-	-	(5,696,782)	(5,696,782)
Total other comprehensive income	-	-	-	-	4,940,817	-	4,940,817
Total comprehensive income/(loss) for the year	-	-	-	-	4,940,817	(5,696,782)	(755,965)
Balance at 31 December 2020	10,660,000	336,226	306,980	173,153	(282,917)	(3,193,658)	7,999,784

The notes set out on pages 43 to 90 form an integral part of these financial statements.

Statement of cash flows

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
OPERATING ACTIVITIES			
Profit/(loss) for the year		**64,414**	(5,696,782)
Adjustments for:			
Loss on disposal of an associate		**-**	4,700,119
Change in fair value of investment properties		**(182,888)**	403,660
Loss on disposal of an investment property		**20,574**	-
		(97,900)	(593,003)
Changes in operating assets and liabilities:			
Due from Parent Company		**120**	(613,893)
Other assets		**(833)**	(50,286)
Movement in policyholders' account		**(888,872)**	(328,481)
Other liabilities		**(282,213)**	219,965
Net cash used in operating activities		**(1,269,698)**	(1,365,698)
INVESTING ACTIVITIES			
Proceeds from sale of investment properties		**52,448**	-
Purchase of investment properties		**-**	(4,015,000)
Change in advanced payment for investments		**1,112,236**	(6,106,011)
Investment in an associate		**(549,259)**	-
Proceeds from disposal of an associate		**-**	12,142,762
Change in restricted bank balance		**654,268**	(654,268)
Net cash from investing activities		**1,269,693**	1,367,483
Net (decrease)/increase in cash and cash equivalents		**(5)**	1,785
Cash and cash equivalents at the beginning of the year	7	**6,082**	4,297
Cash and cash equivalents at the end of the year	7	**6,077**	6,082

The notes set out on pages 43 to 90 form an integral part of these financial statements.

Notes to the financial statements

1 Incorporation and activities

First Takaful Insurance Company ("the Company") is a Kuwaiti Public Shareholding Company that was incorporated on 25 July 2000 and is registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments.

The shares of the Company are listed on Kuwait Stock Exchange.

On 1 September 2019, the new Insurance Law No.125 of 2019 has been issued and is effective from 28 August 2019. This Law supersedes the Law No. 24 of 1961. On 16 March 2021, the Executive Regulations of Law No. 125 for the year 2019 were issued, and according to article No. 2 of the Executive Regulations of the Law, the Company has to adjust its positions in accordance with the provisions of the above law and its Executive Regulations within a year from the date of issuance of those Executive Regulations, however, subsequent to the reporting date, this duration was extended till 30 June 2022.

The Company is a subsidiary of International Financial Advisors Holding -KPSC ("the Parent Company").

The Company is engaged in:

- Carrying out all types of insurance takaful activities (co-operative insurance) and related activities, including insurance and reinsurance;

- Investing the funds available to the Company in various activities that are commensurate with the Company's objectives and not in conflict with the provisions of the Islamic Sharee'a and the established rules and regulations;

- Providing insurance and reinsurance consultancy and technical studies to companies involved in similar activities;

- Investing the contributed funds from policyholders and returns thereon.

Takaful is an Islamic alternative to a conventional insurance and investment program, based on the mutual funds concept, where each policyholder will receive his share in the surplus arising from the insurance activities, in accordance with the Company's articles of association and the approval of Fatwa and Sharee'a Supervisory Board.

The Company conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The shareholders are responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Company holds the physical custody and title of all assets related to the policyholders' and shareholders' operations, such assets and liabilities together with the results of policyholders' lines of business are disclosed in the notes.

The Company maintains separate books of accounts for policyholders and shareholders. Income and expenses clearly attributable to either activity is recorded in the respective accounts. Management and the board of directors determine the basis of allocation of expenses from joint operations.

All insurance and investment activities are conducted in accordance with Islamic Sharee'a, as approved by Fatwa and Sharee'a Supervisory Board.

The address of the Company's registered office is PO Box 5713, Safat 13058, State of Kuwait.

The financial statements for the year ended 31 December 2021 were authorised for issue by the board of directors of the Company on 22 March 2022 and are subject to the approval of the General Assembly of the shareholders.

Notes to the financial statements (continued)

2 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Company

No new amendments or standards were effective for the current reporting period except for the extension of the IFRS 16 amendment discussed below.

Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021

The IFRS 16 Leases amendment relate to Covid19 Rent Related Concessions that has been extended until 30 June 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

The application of the amendments did not have a significant impact on the Company's financial statements.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 16 Amendments- Proceeds before intended use	1 January 2022
IAS 37 Amendments- Onerous contracts – Cost of fulfilling a contract	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Annual Improvements 2018-2020 Cycle	1 January 2022

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

Notes to the financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Company's financial statements in future should such transactions arise.

IFRS 3 – Reference to the conceptual framework

The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IAS 1 Amendments - Classification of current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IAS 1 Amendments – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

Notes to the financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 provide an exemption from the *initial recognition exemption* provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IFRS 17 Insurance Contracts

IFRS 17 supersedes the IFRS 4 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. It requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Management is still in the process of assessing the impact on the Company's financial statements that could result from the adoption of the new standard in the future.

Notes to the financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IFRS 16 avoids the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards. Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below.

4.1 Basis of preparation

The financial statements of the Company have been prepared under historical cost convention except for investments at fair value through other comprehensive income and investment properties which have been measured at fair value.

The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Company.

The Company has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and the "statement of profit or loss and other comprehensive income".

4.2 Revenue

The Company recognises revenue from the following major sources:

- Rental income
- Income from investment deposit
- Dividends income

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer. The Company follows a 5-step process:

Notes to the financial statements (continued)

4 Significant accounting policies (continued)

4.2 Revenue (continued)

1- Identifying the contract with a customer
2- Identifying the performance obligations
3- Determining the transaction price
4- Allocating the transaction price to the performance obligations
5- Recognizing revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

4.2.1 Rental income
Rental income from investment properties is recognised as noted in Note 4.4.

4.2.2 Dividend income
Dividend income, other than those from associates, are recognised at the time the right to receive payment is established.

4.2.3 Income from investment deposit
Income from investment deposit is recognised on a time proportion basis taking account of the principal outstanding and profit rate applicable.

4.3 Operating expenses
Operating expenses are recognised in the statement of profit or loss upon utilisation of the service or at the date of their origin.

4.4 Leased assets

The Company as a lessee
For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)
4.4 Leased assets (continued)

The Company as a lessee (continued)
The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee
At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset
The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability
At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company as a lessor
The Company enters into lease agreements as a lessor with respect to some of its properties. The Company classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)
4.4 Leased assets (continued)

The Company as a lessor (continued)
Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding for the finance lease.

4.5 Investment in associates
An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Company's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the associate, less any impairment and the statement of profit or loss reflects the Company's share of the results of operations of associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of profit or loss.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's share in the associate arising from changes in the associate's equity. Changes in the Company's share in associate's equity are recognised immediately in the statement of changes in equity.

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

Unrealised gains on transactions with associate are eliminated to the extent of the Company's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the Company's reporting date or to a date not earlier than three months of the Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Company's reporting date.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the statement of profit or loss.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)
4.5 Investment in associates (continued)
However, when the Company reduces its ownership interest in an associate but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.6 Taxation

4.6.1 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

4.6.2 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Company for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.6.3 Zakat
Contribution to Zakat is calculated at 1% of the profit of the Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

4.6.4 Taxation on overseas associates

Taxation on overseas associates is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these associates operate.

4.7 Segment reporting
The Company has two operating segments: takaful insurance and investment. In identifying these operating segments, management generally follows the Company's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Company uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.8 Financial instruments

4.8.1 Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)

4.8 Financial instruments (continued)

4.8.1 Recognition, initial measurement and derecognition (continued)

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

- rights to receive cash flows from the assets have expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

(a) the Company has transferred substantially all the risks and rewards of the asset or
(b) the Company has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Company's continuing involvement in the asset.

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

4.8.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVTOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)
4.8 Financial instruments (continued)

4.8.3 Subsequent measurement of financial assets

a) ***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Company's financial assets at amortised cost comprise of the following:

Bank balances

Bank balances are subject to an insignificant risk of changes in value.

Due from Parent Company

Due from Parent Company is a financial asset originated by the Company that have fixed or determinable payments and are not quoted in an active market.

Other assets
Other assets are stated at the original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

b) ***Financial assets at FVTOCI***

The Company's financial assets at FVTOCI mainly comprise investment in equity shares. These represent investment in unquoted equity shares.

The Company accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI
On initial recognition, the Company may make an irrevocable election (on an instrument - by - instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)
4.8 Financial instruments (continued)

4.8.3 Subsequent measurement of financial assets (continued)

b) Financial assets at FVTOCI (continued)

Equity investments at FVTOCI (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short - term profit - taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the statement of changes in equity on de-recognition.

Dividends on these investments in equity instruments are recognised in the statement of profit or loss.

4.8.4 Impairment of financial assets
All financial assets except for those at FVTPL and equity investments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Company recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at the probability of default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)
4.8 Financial instruments (continued)

4.8.4 Impairment of financial assets (continued)
The Company recognises lifetime ECL for Qard Hassan to policyholders' fund, due from Parent Company and other assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognises an impairment gain or loss in the statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4.8.5 Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include other liabilities and amount due to policyholders.

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

Financial liabilities at amortized cost
These are stated using effective interest rate method. Other liabilities and amount due to policyholders are classified as financial liabilities at amortised cost.

Other liabilities

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

Amount due to policyholders

Amount due as a result of transactions with policyholders and cash advances from policyholders are included under amount due to policyholders.

4.9 Trade and settlement date accounting
All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)

4.10 Offsetting of financial instruments

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

4.11 Fair value of financial instruments

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

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

4.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the statement of profit or loss within "change in fair value of investment properties" and "gain/loss on sale of investment properties"

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

4.13 Qard Hassan to policyholders and policyholders' deficit reserve

Qard Hassan represents non-profit Islamic financing provided by the shareholders to the policyholders with respect to the deficit arising from the takaful operations which will be settled from the surplus arising from such business in future years.

4.14 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)
4.14 Impairment testing of non-financial assets (continued)

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.15 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the Company's Memorandum of Incorporation.

Fair value reserve – comprises of gains and losses relating to investments at fair value through other comprehensive income.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Company's foreign associates into Kuwait Dinars.

(Accumulated losses)/retained earnings include current year profit/loss and all prior period retained profits and losses.

All transactions with owners of the Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.16 Foreign currency translation

4.16.1 Functional and presentation currency
Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.16.2 Foreign currency transactions
Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in statement of profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.16.3 Foreign operations
In the Company's financial statements, all assets, liabilities and transactions of foreign entities with a functional currency other than the KD are translated into KD. The functional currency of the foreign entities has remained unchanged during the reporting period.

Notes to the financial statements (continued)

4 Significant accounting policies (continued)
4.16 Foreign currency translation (continued)

4.16.3 Foreign operations (continued)
Assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to statement of profit or loss and are recognised as part of the gain or loss on disposal.

4.17 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

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

5 Significant management judgements and estimation uncertainty

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Further, note 25 discusses the impact of COVID 19 on the preparation of the financial statements.

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

5.1.1 Business model assessment
The Company classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.8). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Notes to the financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.2 Classification of real estate property

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

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

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

The Company classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

5.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5.2.1 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Company based these estimates using 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.

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

5.2.2 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5.2.3 Impairment of associate

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

Notes to the financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)
5.2 Estimates uncertainty (continued)

5.2.4 Revaluation of investment properties
The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Company engaged independent valuation specialists to determine fair value as at 31 December 2021 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

5.2.5 Significant influence
Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

6 Basic and diluted earnings/(loss) per share
Basic and diluted earnings/(loss) per share is computed by dividing the profit/(loss) for the year by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2021	Year ended 31 Dec. 2020
Profit/(loss) for the year (KD)	**64,414**	(5,696,782)
Weighted average number of shares outstanding during the year	**106,600,000**	106,600,000
Basic and diluted earnings/(loss) per share	**0.6 Fils**	(53.44) Fils

7 Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents of the Company comprise of the following:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Bank balances	**6,077**	660,350
Less: restricted bank balance (note 8 - b)	**-**	(654,268)
Cash and cash equivalents as per statement of cash flows	**6,077**	6,082

8 Investment in associates

Name	**Percentage ownership**		**Country of incorporation**	**Principal activity**
	31 Dec. 2021 %	31 Dec. 2020 %		
Weqaya Takaful Insurance and Reinsurance Company – SSC ("Weqaya") (Quoted) [see (a) below]	**20**	20	Kingdom of Saudi Arabia	Insurance
First Financial Holding Company-WLL (Holding)-"FFH" [see (c) below]	**48**	-	Kuwait	Finance

Notes to the financial statements (continued)

8 Investment in associates (continued)

Movement in the carrying amount of the investment in associates is as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Carrying amount at the beginning of the year	1	11,902,065
Disposal of an associate (b)	-	(11,902,064)
Incorporation of an associate (c)	720,000	-
Carrying amount at the end of year	720,001	1

(a The Company has discontinued to recognise its share of further losses of the associate (Weqaya) which is stated at a carrying value of KD1 effective from 1 April 2014 in accordance with IAS 28. The Company's share of unrecognised losses of the associate and fair value as at 31 December 2021 were not determined because the investee company's shares have been suspended from trading since 3 June 2014. If the investee company subsequently reports profits, the Company will resume recognising its share of these profits only after its share of .the profits equals the share of losses not recognised

(b During the previous year, the Company sold its entire ownership interest of 35% in Neova Sigorta Insurance Company – Turkey, associate, for a total consideration of USD39,233,449 (equivalent to KD12,142,762) resulting into a :loss of KD4,700,119 as follows

	KD
Sale consideration *	12,142,762
Less: Carrying value at the date of disposal	(11,902,064)
Less: foreign exchange differences related to associate recycled to statement of profit or loss on sale	(4,940,817)
Loss on sale	**(4,700,119)**

* The Company received the total sale consideration amounting to USD39,233,449 (equivalent to KD12,142,762). Out of the total proceeds, an amount of USD2,113,951 (equivalent to KD654,268) had been restricted pending finalisation of formalities relating to shares transfer (note 7). During the year, the formalities have been finalised and the amount was released.

(c During the year, the Company has met the Capital call of KD 720,000 made by a newly incorporated associate, First Financial Holding Company – WLL (Holding) ("FFH"), with a total share capital of KD 1,500,000. As per the initial plan, the Company intended to own 51% of the investee company, however during the current year, a new shareholder has been admitted by "FFH" and the shareholding structure has been redistributed, resulting in the .Company's allocated ownership interest declining to 48%

9 Investments at fair value through other comprehensive income

	31 Dec. 2021 KD	31 Dec. 2020 KD
Foreign unquoted securities (refer note 11)	4,799,030	2
	4,799,030	2

Notes to the financial statements (continued)

9 Investments at fair value through other comprehensive income (continued)
These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the Company has elected to designate these investments in equity instruments as at FVOCI as it believes that recognising short-term fluctuations in the fair value of these investments in shareholders' results would not be consistent with the Company's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

During the year, the Company acquired two investments (related party unquoted entities in United Arab Emirates – Dubai) from a related party through one of the related parties for a total consideration of AED58,553,295 (equivalent to KD4,799,028), against the advance payment made in the previous year (refer note 11). However, legal formalities with regard to transfer of the ownerships of these investments to the Company, are still in progress. As of the reporting date, these investments were classified as investments at fair value through other comprehensive income in the statement of financial position (refer note 18). The acquisition price was decided based on an independendent valuation carried out by a third party during the current year. Management has concluded that the transaction price of these recently acquired investments are representative of the fair value of these investments as of the reporting date.

The above transaction, resulted in the Company acquiring 19.9% of Strive Group for Services Company LLC, a related party, for a total consideration of KD 1,709,546. Management classified the investment at fair value through other comprehensive income as the Company does not exercise significant influence over the investee.

10 Investment properties
During the previous year, the Company purchased certain investment properties in Dubai, UAE for a total consideration of KD4,015,000 from a related party, and these properties were fair valued at 31 December 2020 by an external independent valuer at KD3,611,340. However, since the Company is currently unable to transfer the ownership of those properties in its name (pending amendment of its articles of association), the related party has signed a letter of assignment stating that they are holding these properties on behalf of the Company till all the legal formalities are completed to transfer the title deeds of the properties. Total rental income from these properties amounting to KD106,578 is included in the statement of profit or loss for the year ended 31 December 2021. During the current year, the Company has disposed one of the properties with a carrying value of KD 125,924 for a consideration of KD105,350, realizing a loss of KD20,574.

Movement in the carrying amount of the investment properties is as follows:

	31 Dec. 2021 **KD**	31 Dec. 2020 KD
Fair value as at 1 January	**3,611,340**	-
Disposal during the year	**(125,924)**	-
Additions during the year	**-**	4,015,000
Change in fair value during the year	**182,888**	(403,660)
Carrying amount at the end of year	**3,668,304**	3,611,340

The estimation of fair value by an independent real estate valuer as of 31 December 2021 has resulted in a change in fair value gain of KD182,888 (loss of KD403,660 as at 31 December 2020) being recognized in the statement of profit or loss for the current year (refer Note 22.4 for details).

Notes to the financial statements (continued)

11 Advanced payments for investments

During the previous year, the Company signed an agreement with a related party to invest USD20,000,000 (equivalent to KD6,106,011) for potential investment opportunities which will be presented to the Company within a specified period of time from the date of the agreement.

During the year, the Company acquired two investments from a related party for a total consideration of KD 4,799,028 (refer note 9). Further, during the year, the Company received an amount of USD3,677,025 (equivalent to KD1,112,236) as a refund from this advanced payment and remaining balance amounting to KD 194,747 has been transferred from advance payments for investments to receivable from a related party under the other assets in the statement of financial position.

12 Qard Hassan to policyholders' fund and deficit reserve

In accordance with the Company's articles of association, the policyholders' net deficit from insurance operations has been covered by "Qard Hassan" from the shareholders. The Qard Hassan given by shareholders will be settled through surplus arising from the insurance operations in future years.

	31 Dec. 2021	31 Dec. 2020
	KD	KD
Opening balance at the beginning of the year	3,213,484	2,405,102
Net deficit for the year from insurance operations (note 17)	55,486	808,382
Closing balance at the end of the year	3,268,970	3,213,484

13 Share capital

	31 Dec. 2021	31 Dec. 2020
	KD	KD
Authorised shares of 100 Fils each	10,760,000	10,760,000
Issued and fully paid up shares of 100 Fils each	10,660,000	10,660,000

14 Statutory and voluntary reserves

The Companies Law and the Company's articles of association require that 10% of the profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to be transferred to the statutory reserve. The shareholders of the Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital.

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

According to the Company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and board of directors' remuneration is to be transferred to the voluntary reserve at the discretion of the board of directors subject to the approval of the general assembly of the shareholders.

There is no restriction on distribution of voluntary reserve.

No transfer is required in a year in which the Company has incurred a loss or where accumulated losses exist.

Notes to the financial statements (continued)

15 Amount due to policyholders

	31 Dec. 2021 KD	31 Dec. 2020 KD
Opening balance at the beginning of the year	**2,583,735**	2,912,216
Net movements during the year	**(858,872)**	(328,481)
Closing balance at the end of the year	**1,724,863**	2,583,735

Net movements in policyholders' account represent the net fund transfers from and to their account including buying and selling shares on their behalf.

16 Annual General Assembly of the Shareholders

The board of directors of the Company proposed not to distribute any dividends for the year ended 31 December 2021, and this proposal is subject to the approval of the general assembly of the Company's shareholders.

The annual general assembly of the shareholders held on 2 May 2021 approved the financial statements of the Company for the year ended 31 December 2020 and the proposal of the board of directors not to distribute any dividends for the year then ended. Further, the shareholders approved not to pay any remuneration for the board of directors' for the year ended 31 December 2020.

17 **Policyholders' results by line of business and fund**

The significant accounting policies used in accounting for the insurance business are set out below. Policies used in accounting for other accounts and transactions are the same as those adopted by the Company.

Revenue recognition

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of net written premiums relating to the unexpired period of coverage that extend beyond the end of the financial year; they are calculated based on a time apportionment basis over the exposure to policies.

Policy issuance fees and policy acquisition costs

Policy issuance fees and policy acquisition costs are recognised at the time of recognition of the related premium.

Reinsurance

In the normal course of business, the Company cedes and assumes certain levels of risk in various areas of exposure with other insurance companies or reinsurers. Such reinsurance includes quota share, excess of loss, facultative and other forms of reinsurance on essentially all lines of business.

Reinsurance ceded or assumed are deducted from gross premium to arrive at net premium.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to statement of policyholders' results as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the financial position date.

Notes to the financial statements (continued)

17 Policyholders' results by line of business and fund (continued)

Claims (continued)

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the financial position date. Any difference between the provisions at the financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

Liability adequacy test
At each financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of policyholders' results and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the financial position date.

Premiums and reinsurance receivables
These receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Equipment
Equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

Equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of equipment.

The following useful lives are applied:

- Equipment: 4-5 years
- Vehicles: 3 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the statement of policyholders' results.

Life mathematical reserve
The provision for life contracts is calculated on the basis of an actuarial valuation method.

Notes to the financial statements (continued)

17 Policyholders' results by line of business and fund (continued)

Additional reserve
The additional reserve includes amounts reserved for claims Incurred But Not Reported ("IBNR") at the financial position date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the financial position date.

Provision for employees' end of service benefits
The Company provides end of service 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 in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the Company makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

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

Impairment of financial assets
Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Company based these estimates using 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.

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

Provision for outstanding claims and IBNR
Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible if significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis.

Reinsurance
The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Notes to the financial statements (continued)

17 Policyholders' results by line of business and fund (continued)

Policyholders' results by line of business:

	Marine and aviation KD	General accidents KD	Motor vehicles KD	Fire KD	Life and medical KD	Total KD
Year ended 31 December 2021:						
Premiums written	257,326	1,252,551	98,440	501,565	1,207,136	3,317,018
Less: reinsurance ceded	(155,289)	(786,190)	(35,691)	(269,499)	(113,395)	(1,360,064)
Net premiums	102,037	466,361	62,749	232,066	1,093,741	1,956,954
Movement in unearned premiums	(131)	134,205	37,251	(23,932)	42,149	189,542
Net premiums earned	101,906	600,566	100,000	208,134	1,135,890	2,146,496
Policy issuance fees	665	5,219	2,432	1,697	7,552	17,565
Total revenues	102,571	605,785	102,432	209,831	1,143,442	2,164,061
Net claims incurred	3,982	(421,214)	272,885	7,586	(815,964)	(952,725)
Movement in life mathematical reserve	-	-	-	-	33,873	33,873
Other insurance expenses	(1,086)	(7,826)	(7,622)	(3,254)	(61,253)	(81,041)
Policy acquisition costs	(40,937)	(81,423)	(272)	(63,214)	(59,926)	(245,772)
Total (expenses)/income	(38,041)	(510,463)	264,991	(58,882)	(903,270)	(1,245,665)
Surplus by line of business	64,530	95,322	367,423	150,949	240,172	918,396
Allocation of general and administrative expenses	(69,255)	(138,511)	(478,743)	(101,574)	(217,000)	(1,005,083)
Net (deficit)/surplus from insurance operations	(4,725)	(43,189)	(111,320)	49,375	23,172	(86,687)
Investment and other income (note 17.1)	2,697	4,591	13,417	3,521	6,975	31,201
Net (deficit)/surplus from takaful insurance operations	(2,028)	(38,598)	(97,903)	52,896	30,147	(55,486)
Other comprehensive loss for the year:						
Net change in fair value arising during the year	(7,857)	(15,714)	(45,046)	(11,523)	(24,617)	(104,757)
Other comprehensive loss for the year	(7,857)	(15,714)	(45,046)	(11,523)	(24,617)	(104,757)
Net (deficit)/surplus by line of business including other comprehensive loss	(9,885)	(54,312)	(142,949)	41,373	5,530	(160,243)

Notes to the financial statements (continued)

17 Policyholders' results by line of business and fund (continued)

Policyholders' results by line of business: (continued)

	Marine and aviation	General accidents	Motor vehicles	Fire	Life and medical	Total
	KD	KD	KD	KD	KD	KD
Year ended 31 December 2020:						
Premiums written	130,514	581,358	140,651	465,853	1,435,268	2,753,644
Less: reinsurance ceded	(86,415)	(237,536)	(36,850)	(301,458)	(206,917)	(869,176)
Net premiums	44,099	343,822	103,801	164,395	1,228,351	1,884,468
Movement in unearned premiums	6,374	13,752	215,886	(10,232)	(41,373)	184,407
Net premiums earned	50,473	357,574	319,687	154,163	1,186,978	2,068,875
Policy issuance fees	848	2,592	26,401	1,330	1,662	32,833
Total revenues	51,321	360,166	346,088	155,493	1,188,640	2,101,708
Net claims incurred	16,034	(227,546)	(176,549)	19,116	(598,047)	(966,992)
Movement in life mathematical reserve	-	-	-	-	16,821	16,821
Other insurance expenses	(693)	(2,488)	(961)	(10,897)	(78,291)	(93,330)
Policy acquisition costs	(3,151)	(48,451)	(2,651)	(66,736)	(135,993)	(256,982)
Total income/(expenses)	12,190	(278,485)	(180,161)	(58,517)	(795,510)	(1,300,483)
Surplus by line of business	63,511	81,681	165,927	96,976	393,130	801,225
Allocation of general and administrative expenses	(76,854)	(207,147)	(1,074,819)	(112,719)	(240,809)	(1,712,348)
Net (deficit)/surplus from insurance operations	(13,343)	(125,466)	(908,892)	(15,743)	152,321	(911,123)
Investment and other income (note 17.1)	7,705	15,411	44,180	11,301	24,144	102,741
Net (deficit)/surplus from takaful insurance operations	(5,638)	(110,055)	(864,712)	(4,442)	176,465	(808,382)
Other comprehensive loss for the year:						
Net change in fair value arising during the year	(5,154)	(15,463)	(51,545)	(10,309)	(20,617)	(103,088)
Other comprehensive loss for the year	(5,154)	(15,463)	(51,545)	(10,309)	(20,617)	(103,088)
Net (deficit)/surplus by line of business including other comprehensive loss	(10,792)	(125,518)	(916,257)	(14,751)	155,848	(911,470)

Notes to the financial statements (continued)

17 Policyholders' results by line of business and fund (continued)

Policyholders' assets, liabilities and fund:

	Note	31 Dec. 2021 KD	31 Dec. 2020 KD
Assets			
Cash and bank balances		**50,812**	221,883
Investment deposits	17.2	**822,000**	822,000
Investments at fair value through other comprehensive income	17.3	**532,196**	636,953
Premiums receivable	17.4	**592,983**	652,215
Accounts receivable and other assets	17.5	**272,390**	328,750
Amount due from shareholders	15	**1,724,863**	2,583,735
Reinsurance recoverable on outstanding claims	17.6	**3,696,990**	5,877,821
Equipment		**45,190**	78,316
Total assets		**7,737,424**	11,201,673
Liabilities			
Reinsurance balances payable		**1,733,180**	1,813,164
Unearned premiums		**726,880**	916,422
Outstanding claims reserve	17.6	**5,318,152**	8,158,099
Life mathematical reserve		**16,592**	50,465
Reserve retained on reinsurance business		**194,364**	193,470
IBNR reserve		**675,862**	106,879
Other liabilities	17.7	**2,940,730**	3,671,267
Total liabilities		**11,605,760**	14,909,766
Policyholders' fund			
Net deficit for policyholders at the beginning of the year		**(3,213,484)**	(2,405,102)
Net deficit from insurance operations for the year		**(55,486)**	(808,382)
Total net deficit from insurance operations	17.8	**(3,268,970)**	(3,213,484)
Fair value reserve		**(494,609)**	(391,521)
Change in fair value during the year		**(104,757)**	(103,088)
		(599,366)	(494,609)
Total policyholders' fund at the end of year	17.8	**(3,868,336)**	(3,708,093)
Total liabilities and policyholders' fund		**7,737,424**	11,201,673

Notes to the financial statements (continued)

17 Policyholders’ results by line of business and fund (continued)

17.1 Investment and other income:

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Investment income	**2,235**	20,766
Other income	**28,966**	81,975
	31,201	102,741

17.2 Investment deposits:

In accordance with Kuwaiti Law, an amount of KD822,000 (31 December 2020: KD822,000) has been retained as an investment deposit with a Kuwaiti financial institution. The effective profit rate on the deposits during the year was 1.45% (31 December 2020: 2.63%).

17.3 Investments at fair value through other comprehensive income:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Local unquoted securities	**532,196**	636,953
	532,196	636,953

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the Company has elected to designate these investments in equity instruments as at FVOCI as it believes that recognising short-term fluctuations in the fair value of these investments in policyholders’ results would not be consistent with the Company’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

17.4 Premiums receivable:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Premiums receivable	**946,942**	1,006,174
Less: provision for doubtful debts	**(353,959)**	(353,959)
	592,983	652,215

In measuring the expected credit losses, the premiums receivable have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and nature of customers.

Notes to the financial statements (continued)
17 Policyholders' results by line of business and fund (continued)
17.4 Premiums receivable: (continued)

On the above basis, the provision for expected credit losses for doubtful debts for premium receivables as at 31 December 2021 and 31 December 2020 was determined as follows:

	Current	3-6 months	6-12 months	12-24 months	Above 24 months	Total
	KD	KD	KD	KD	KD	KD
31December 2021:						
Gross carrying amount (KD)	185,476	193,642	66,413	109,981	391,430	946,942
Provision for doubtful debts (KD)	(2,782)	(5,809)	(5,479)	(61,919)	(277,970)	(353,959)
	182,694	187,833	60,934	48,062	113,460	592,983
31December 2020:						
Gross carrying amount (KD)	217,506	268,957	135,371	116,352	267,988	1,006,174
Provision for doubtful debts (KD)	(3,263)	(8,069)	(11,168)	(65,506)	(265,953)	(353,959)
	214,243	260,888	124,203	50,846	2,035	652,215

As at 31 December, the movement in the provision for expected credit losess for doubtful debts is as follows:

	31 Dec. 2021	31 Dec. 2020
	KD	KD
Balance at 1 January	353,959	300,520
Charge during the year	-	53,439
Balance at 31 December	353,959	353,959

17.5 Accounts receivable and other assets:

	31 Dec. 2021	31 Dec. 2020
	KD	KD
Financial assets		
Reinsurance receivables	931,716	893,356
Less: provision for doubtful debts	(715,868)	(634,190)
	215,848	259,166
Cheques under collection	4,789	4,789
Accrued income	11,919	21,637
Other assets	16,263	16,084
	248,819	301,676
Non-financial assets		
Prepaid expenses	23,571	27,074
	272,390	328,750

In measuring the expected credit losses, the re-insurance receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and nature of customers.

Notes to the financial statements (continued)

17 Policyholders' results by line of business and fund (continued)

17.5 Accounts receivable and other assets: (continued)

As at 31 December, the movement in the provision for doubtful debts is as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balance at 1 January	634,190	-
Charge during the year	81,678	634,190
Balance at 31 December	715,868	634,190

17.6 Reinsurance recoverable on outstanding claims

During the year 2019, the Company received an overall assessment of a government claim for damages incurred as a result of rainfall in Kuwait. The Company's share of this claim was calculated to be equivalent to KD3,228,000 (KD3,960,000 at 31 December 2020) from which KD2,925,397 was paid in previous years and current year. This amount has been recognised both in reinsurance recoverable on outstanding claims and outstanding claims reserve.

17.7 Other liabilities:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Insurance payables	1,198,174	1,480,928
Garages and agencies	428,290	906,306
Brokerage commissions	164,405	137,301
Provision for employees' end of service benefits	377,740	390,349
Provision for staff leave	192,309	156,568
Accrued expenses	88,582	134,282
Other liabilities	491,230	465,533
	2,940,730	3,671,267

17.8 Movement in policyholders' fund:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balance at beginning of the year	(3,213,484)	(2,405,102)
Net deficit from insurance operations for the year	(55,486)	(808,382)
	(3,268,970)	(3,213,484)
Fair value reserve at the beginning of the year	(494,609)	(391,521)
Change in fair value during the year	(104,757)	(103,088)
	(599,366)	(494,609)
Balance at the end of the year	(3,868,336)	(3,708,093)

In accordance with the Company's articles of association, policyholders' net deficit from insurance operations has been covered by "Qard Hassan" from the shareholders. The Qard Hassan given by shareholders will be settled through surplus arising from the insurance operations in future years.

Notes to the financial statements (continued)

18 Related party balances and transactions

Related parties represent Parent Company, associate, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Details of balances and transactions between the Company and its related parties are disclosed below.

	31 Dec. 2021 KD	31 Dec. 2020 KD
SHAREHOLDERS		
Statement of financial position:		
Investments in related parties - Investment properties (note 10)	**3,668,304**	3,611,340
Advanced payment for investments with a related party (note 11)	**-**	6,106,011
Due from Parent Company	**613,773**	613,893
Due from related parties (included within other assets)	**247,649**	50,286
Investments in related parties – classified under Investments at fair value through other comprehensive income (note 9 and note 11)	**4,799,028**	-

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Statement of profit or loss:		
Consultancy fees	**76,000**	60,000
Retainer fees	**-**	238,533
Key management compensation:		
Salaries and other short-term benefits	**54,912**	57,190
End of service benefits	**3,736**	3,650
	58,648	60,840

	31 Dec. 2021 KD	31 Dec. 2020 KD
POLICYHOLDERS		
Statement of assets, liabilities and fund:		
Premiums receivable	**18,621**	28,436
Due to related parties- included in other liabilities	**955,429**	364,851

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Statement of policyholders' results:		
Premiums written	**524,278**	493,100
Rental expenses	**71,575**	74,913
Key management compensation:		
Salaries and other short-term benefits	**164,736**	171,571
End of service benefits	**11,209**	10,950
	175,945	182,521

Notes to the financial statements (continued)

19 Segmental analysis

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Company's profit or loss.

The Company operates in the sectors of investment and takaful insurance as follows:

	Investment	Takaful insurance	Unallocated	Total
	KD	KD	KD	KD
Shareholders				
Year ended at 31 December 2021				
Segment income	**106,578**	**-**	**-**	**106,578**
Profit/(loss) for the year	**268,892**	**-**	**(204,478)**	**64,414**
As at 31 December 2021				
Total assets	**9,382,082**	**3,268,970**	**673,585**	**13,324,637**
Total liabilities	**-**	**(4,993,833)**	**(266,606)**	**(5,260,439)**
Net assets	**9,382,082**	**(1,724,863)**	**406,979**	**8,064,198**
Shareholders				
Year ended at 31 December 2020				
Segment loss	(5,103,779)	-	-	(5,103,779)
Loss for the year	(5,103,779)	-	(593,003)	(5,696,782)
As at 31 December 2020				
Total assets	9,717,354	3,213,484	1,324,529	14,255,367
Total liabilities	-	(5,797,219)	(458,364)	(6,255,583)
Net assets/(liabilities)	9,717,354	(2,583,735)	866,165	7,999,784
Policyholders				
Year ended at 31 December 2021				
Total revenue	**2,235**	**2,164,061**	**28,966**	**2,195,262**
Net surplus/(deficit) for the year	**2,235**	**918,396**	**(976,117)**	**(55,486)**
As at 31 December 2021				
Total assets	**1,354,196**	**6,287,226**	**96,002**	**7,737,424**
Total liabilities	**-**	**(10,455,899)**	**(1,149,861)**	**(11,605,760)**
Net assets/(liabilities)	**1,354,196**	**(4,168,673)**	**(1,053,859)**	**(3,868,336)**
Policyholders				
Year ended at 31 December 2020				
Total revenue	20,766	2,101,708	81,975	2,204,449
Net surplus/(deficit) for the year	20,766	801,225	(1,630,373)	(808,382)
As at 31 December 2020				
Total assets	1,458,953	9,442,521	300,199	11,201,673
Total liabilities	-	(13,763,034)	(1,146,732)	(14,909,766)
Net assets	1,458,953	(4,320,513)	(846,533)	(3,708,093)

Notes to the financial statements (continued)

20 **Contingent liabilities**

The Company is a defendant in a number of legal cases filed by Takaful contract holders in respect of claims subject to dispute with the Company for which Company has made provisions which, in its opinion, are adequate to cover any resultant liabilities.

21 **Risk management objectives and policies**

The Company's risk and financial management framework is to protect the Company's shareholders and policy-holders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's board of directors is ultimately responsible for establishing an overall risk management function and approving risk strategies and principles.

Law No. 24 of 1961, Law No.13 of 1962 and Decree No. 5 of 1989, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

On 1 September 2019, the new Insurance Law No.125 of 2019 has been issued and is effective from 28 August 2019. This Law supersedes the Law No. 24 of 1961. On 16 March 2021, the Executive Regulations of Law No. 125 for the year 2019 were issued, and according to article No. 2 of the Executive Regulations of the Law, the Company has to adjust its positions in accordance with the provisions of the above law and its Executive Regulations within a year from the date of issuance of those Executive Regulations, however, subsequent to the reporting date, this duration was extended till 30 June 2022.

1. The following are the key regulations governing the operations of the Company:

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.

The funds retained in Kuwait should be invested as under:

a. A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait

b. A maximum of 25% could be invested in foreign securities (foreign government bonds or foreign securities – bonds and shareholding companies)

c. A maximum of 30% should be invested in Kuwaiti companies' shares or bonds

d. A maximum of 15% should be in a current account with a bank operating in Kuwait

Subsequent to the reporting date, Law No. 125 of 2019, and its executive by law, and the rules and regulations issued by the Insurance regulatory unit provide the regulatory framework for the insurance industry in Kuwait will be effective, which state that all insurance companies operating in Kuwait are required to follow these rules and regulations.

The following are the key regulations governing the operation of the Company:

a- For the life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.

b- For the Non-life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.

c- For the Life and Non-life Insurance Companies KD 1,000,000 FD under the ministerial name to be retained in Kuwait.

d- In addition, all insurance companies to maintain a provision of 20% from the gross premiums written after excluding the reinsurance share.

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)

The residual value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.

The Company's senior management is responsible for monitoring compliance with the above regulations and has the delegated authorities and responsibilities from the board of directors to ensure compliance.

Insurance risk is the risk that actual claims payable to policyholders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly marine and aviation, fire and general accidents, motor and life risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

(1) *Non-life insurance contracts*

The Company principally issues the following types of general insurance contracts: Marine-Cargo, Hull Comprehensive & Third Party Liability, Fire, House-holders Comprehensive, Contractors All Risks, Erection All Risks, Machinery Breakdown, Electronic Equipment, Burglary, Personal Accident, Cash in Transit, Fidelity Guarantee, Plate Glass, Workmen Compensation, Third Party Liability, Professional Indemnity, Bankers Blanket, Travel Assistance, Motor Comprehensive, and Motor Third Party Liability. Healthcare contracts provide medical expense cover to policyholders. Risks under non-life insurance policies usually cover twelve-month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities.

Marine and aviation

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim up to KD1,750,000 (31 December 2020: KD1,750,000).

Fire and accidents

For property insurance contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim up to KD13,000,000 (31 December 2020: KD13,000,000).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has primarily underwritten comprehensive polices for owner/drivers over 21 years of age. The Company has reinsurance cover to limit losses for any individual claim up to KD400,000 (31 December 2020: KD400,000).

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to motor vehicles are the key factors that influence the level of claims.

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)

(1) Non-life insurance contracts

Motor (continued)

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g hurricanes, earthquakes and flood damages).

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

	31 Dec. 2021			31 Dec. 2020		
	Gross liabilities KD	**Reinsurers' share of liabilities KD**	**Net liabilities KD**	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Marine and aviation	**200,048**	**(199,116)**	**932**	256,722	(251,243)	5,479
General accidents	**2,101,608**	**(1,846,767)**	**254,841**	4,300,248	(3,936,217)	364,031
Motor vehicles	**1,802,124**	**(812,016)**	**990,108**	2,186,101	(661,734)	1,524,367
Fire	**430,002**	**(411,086)**	**18,916**	448,397	(440,212)	8,185
Total	**4,533,782**	**(3,268,985)**	**1,264,797**	7,191,468	(5,289,406)	1,902,062

Key assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

(2) Life insurance contracts

For life insurance the main risks are claims for medical, death or permanent disability.

The underwriting strategy for the life of business is to ensure that policies are well diversified in terms of type of risk and level of insured benefit. This is achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history.

For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)

(2) Life insurance contracts (continued)

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. Life insurance contracts offered by the Company include company whole life insurance, credit life (banks), and company medical including third party administration (TPA).

The main risks that the Company is exposed to are as follows.

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitant living longer than expected.
- Investment return risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Company as life business mainly written in Gulf countries.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts where death or disability are the insured risks the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The insurance risks described above are also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour.

The table below sets out the concentration of life insurance and by type of contract.

	31 Dec. 2021			31 Dec. 2020		
	Gross liabilities	Reinsurers' share of liabilities	Net liabilities	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
	KD	KD	KD	KD	KD	KD
Type of contract						
Credit life (credit insurance)	763	(496)	267	46,781	(37,310)	9,471
Other life insurance contract liabilities	783,593	(427,879)	355,714	919,850	(551,105)	368,745
Total life insurance contracts	784,356	(428,375)	355,981	966,631	(588,415)	378,216

All life insurance contracts are in Kuwait, the analysis above would not be materially different if based on the countries in which the counterparties are situated.

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)

(2) Life insurance contracts (continued)

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life insurance contract estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

Financial risks

The Company's activities expose it to variety of financial risks: market risk (including currency risk, profit rate risk and equity price risk), credit risk and liquidity risk.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
The most significant financial risks to which the Company is exposed are described below.

21.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company's credit policy and exposure to credit risk is monitored on an ongoing basis. The Company seeks to avoid undue concentrations of risks with individuals or group of customers in specific locations or business through diversification of its activities.

The tables below show the maximum exposure to credit risk for the components of the financial position.

	31 Dec. 2021 KD	31 Dec. 2020 KD
SHAREHOLDERS		
Bank balances	6,077	660,350
Qard Hassan to policyholders' fund	3,268,970	3,213,484
Advanced payment for investments	-	6,106,011
Due from Parent Company	613,773	613,893
Other assets	248,482	50,286
	4,137,302	10,644,024
POLICYHOLDERS		
Bank balances	49,640	215,892
Investment deposits	822,000	822,000
Premiums receivable	592,983	652,215
Accounts receivable and other assets – note 17.5	248,819	301,676
Amount due from shareholders	1,724,863	2,583,735
Reinsurance recoverable on outstanding claims	3,696,990	5,877,821
	7,135,295	10,453,339

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)

21.1 Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Company using internal credit ratings. The table below shows the credit quality by class of asset for related financial position lines, based on the Company's credit rating system.

At 31 December 2021 and 31 December 2020, credit quality per class is as follows:

	Neither past due nor impaired			
	High Grade	Standard Grade	Past due or impaired	Total
	KD	KD	KD	KD
31 December 2021				
SHAREHOLDERS				
Bank balances	6,077	-	-	6,077
Qard Hassan to policyholders' fund	-	3,268,970	-	3,268,970
Due from Parent Company	-	613,773	-	613,773
Other assets	-	248,482	-	248,482
	6,077	4,131,225	-	4,137,302
POLICYHOLDERS				
Bank balances	49,640	-	-	49,640
Investment deposits	-	822,000	-	822,000
Premiums receivable	379,117	176,394	37,472	592,983
Accounts receivable and other assets	-	248,819	-	248,819
Amount due from shareholders	-	1,724,863	-	1,724,863
Reinsurance recoverable on outstanding claims	-	3,696,990	-	3,696,990
	428,757	6,669,066	37,472	7,135,295
31 December 2020				
SHAREHOLDERS				
Bank balances	660,350	-	-	660,350
Qard Hassan to policyholders' fund	-	3,213,484	-	3,213,484
Advanced payment for investments	-	6,106,011	-	6,106,011
Due from Parent Company	-	613,893	-	613,893
Other assets	-	50,286	-	50,286
	660,350	9,983,674	-	10,644,024
POLICYHOLDERS				
Bank balances	215,892	-	-	215,892
Investment deposits	822,000	-	-	822,000
Premiums receivable	533,847	65,687	52,681	652,215
Accounts receivable and other assets	42,510	259,166	-	301,676
Amount due from shareholders	-	2,583,735	-	2,583,735
Reinsurance recoverable on outstanding claims	-	5,877,821	-	5,877,821
	1,614,249	8,786,409	52,681	10,453,339

21.2 Liquidity risk Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis. The undiscounted cash outflows for financial liabilities are not materially different from those presented below.

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)

21.2 Liquidity risk (continued)

Maturity profile of financial assets and financial liabilities at 31 December 2021 and 31 December 2020:

	1–3 month KD	3-6 months KD	6-12 months KD	Total Up to 1 year KD	Over 1 year KD	Total KD
31 December 2021						
SHAREHOLDERS						
Assets						
Bank balances	**6,077**	-	-	**6,077**	-	**6,077**
Investments at fair value through other comprehensive income	-	-	-	-	**4,799,030**	**4,799,030**
Qard Hassan to policyholders' fund	-	-	-	-	**3,268,970**	**3,268,970**
Due from Parent Company	-	-	**613,773**	**613,773**	-	**613,773**
Other assets	-	**53,735**	**194,747**	**248,482**	-	**248,482**
	6,077	**53,735**	**808,520**	**868,332**	**8,068,000**	**8,936,332**
Liabilities						
Policyholders' deficit reserve	-	-	-	-	3,268,970	3,268,970
Amount due to policyholders	-	-	-	-	1,724,863	1,724,863
Other liabilities	16,253	90,455	125,456	232,164	34,442	266,606
	16,253	90,455	125,456	232,164	5,028,275	5,260,439
Net exposure	(10,176)	(36,720)	683,064	636,168	3,039,725	3,675,893
POLICYHOLDERS						
Assets						
Cash and bank balances	50,812	-	-	50,812	-	50,812
Investment deposits	-	-	-	-	822,000	822,000
Investments at fair value through other comprehensive income	-	-	-	-	532,196	532,196
Premiums receivable	182,694	187,833	52,095	422,622	170,361	592,983
Accounts receivable and other assets	30,421	9,679	17,976	58,076	190,743	248,819
Amount due from shareholders	-	-	-	-	1,724,863	1,724,863
Reinsurance recoverable on outstanding claims	369,699	554,549	924,248	1,848,496	1,848,494	3,696,990
	633,626	752,061	994,319	2,380,006	5,288,657	7,668,663
Liabilities						
Insurance payable	294,641	207,982	190,650	693,273	1,039,907	1,733,180
Unearned premiums	109,032	145,376	181,720	436,128	290,752	726,880
Outstanding claims reserve	531,815	797,723	1,329,538	2,659,076	2,659,076	5,318,152
Life mathematical reserve	-	-	-	-	16,592	16,592
Reserve retained on reinsurance business	-	-	-	-	194,364	194,364
IBNR reserve	-	-	-	-	675,862	675,862
Other liabilities	36,163	129,672	1,006,743	1,172,578	1,768,152	2,940,730
	971,651	1,280,753	2,708,651	4,961,055	6,644,705	11,605,760
Net exposure	(338,025)	(528,692)	(1,714,332)	(2,581,049)	(1,356,048)	(3,937,097)

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)

21.2 Liquidity risk (continued)

	1–3 month KD	3-6 months KD	6-12 months KD	Total Up to 1 year KD	Over 1 year KD	Total KD
31 December 2020						
SHAREHOLDERS						
Assets						
Bank balances	660,350	-	-	660,350	-	660,350
Investments at fair value through other comprehensive income	-	-	-	-	2	2
Advanced payment for investments	-	-	6,106,011	6,106,011	-	6,106,011
Qard Hassan to policyholders' fund	-	-	-	-	3,213,484	3,213,484
Due from Parent Company	-	-	613,893	613,893	-	613,893
Other assets	-	-	-	-	50,286	50,286
	660,350	-	6,719,904	7,380,254	3,263,772	10,644,026
Liabilities						
Policyholders' deficit reserve	-	-	-	-	3,213,484	3,213,484
Amount due to policyholders	-	-	-	-	2,583,735	2,583,735
Other liabilities	50,561	68,148	339,655	458,364	-	458,364
	50,561	68,148	339,655	458,364	5,797,219	6,255,583
Net exposure	609,789	(68,148)	6,380,249	6,921,890	(2,533,447)	4,388,443
POLICYHOLDERS						
Assets						
Cash and bank balances	221,883	-	-	221,883	-	221,883
Investment deposits	-	-	-	-	822,000	822,000
Investments at fair value through other comprehensive income	-	-	-	-	636,953	636,953
Premiums receivable	217,506	268,957	135,371	621,834	30,381	652,215
Accounts receivable and other assets	36,279	11,650	21,637	69,566	259,184	328,750
Amount due from shareholders	-	-	-	-	2,583,735	2,583,735
Reinsurance recoverable on outstanding claims	587,782	881,674	1,469,456	2,938,912	2,938,909	5,877,821
	1,063,450	1,162,281	1,626,464	3,852,195	7,271,162	11,123,357
Liabilities						
Insurance payable	308,238	163,185	380,764	852,187	960,977	1,813,164
Unearned premiums	137,463	183,284	229,106	549,853	366,569	916,422
Outstanding claims reserve	815,810	1,223,715	2,039,525	4,079,050	4,079,049	8,158,099
Life mathematical reserve	-	-	-	-	50,465	50,465
Reserve retained on reinsurance business	-	-	-	-	193,470	193,470
IBNR reserve	-	-	-	-	106,879	106,879
Other liabilities	363,285	544,927	946,612	1,854,824	1,816,443	3,671,267
	1,624,796	2,115,111	3,596,007	7,335,914	7,573,852	14,909,766
Net exposure	(561,346)	(952,830)	(1,969,543)	(3,483,719)	(302,690)	(3,786,409)

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)

21.3 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 prices.

Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (profit rate risk) and market prices (equity price risk).

The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in markets.

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US Dollar, Sterling Pound, Saudi Riyal and Turkish Lira.

The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance contract liabilities are expected to be settled.

The tables below summaries the Company's significant exposures to foreign currency exchange rate risk at the financial position date:

	Denominated in KD					
	USD	**Sterling Pound**	**Saudi Riyal**	**Turkish Lira**	**Other**	**Total**
Shareholders						
31 December 2021	**1,780**	**-**	**-**	**-**	**-**	**1,780**
31 December 2020	654,268	-	-	-	-	654,268
Policyholders						
31 December 2021	**157,033**	**86,670**	**-**	**-**	**127,095**	**370,798**
31 December 2020	183,793	109,267	1,752	-	146,339	441,151

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit/(loss) for the year and equity.

		31 December 2021		31 Dec. 2020	
	Changes in variables %	Impact on profit KD	Impact on equity KD	Impact on profit KD	Impact on equity KD
SHAREHOLDERS					
US Dollar	±5	89	-	32,713	-
POLICYHOLDERS					
US Dollar	±5	7,852	-	9,190	-
Sterling Pound	±5	4,334	-	5,463	-
Saudi Riyal	±5	-	-	87	-
Other	±5	6,355	-	7,317	-

Notes to the financial statements (continued)

21 Risk management objectives and policies (continued)
21.3 Market risk (continued)

(b) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Company has no significant profit bearing assets other than investment deposits.

The following table illustrates the sensitivity of the net suplus/(deficit)for the year to a reasonably possible change in profit rates of +1% and –1% (31 December 2020: +1% and –1%) with effect from the beginning of the year. The calculations are based on the Company's financial instruments held at each reporting date. All other variables are held constant. There has been no change during the year in the assumptions and methods used in the preparation of the sensitivity analysis. There is no direct impact on the Company's equity:

	31 Dec. 2021		31 Dec. 2020	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
POLICYHOLDERS				
Net deficit from insurance operations for the year	(8,220)	8,220	(8,220)	8,220

c) *Equity price risk*

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Company has no financial assets which exposes to equity price risk.

Notes to the financial statements (continued)

22 Fair value measurement

22.1 Fair value measurement of financial instruments

The carrying amounts of the Company's financial assets and liabilities as stated in the statement of financial position are as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Shareholders' assets and liabilities		
Financial assets:		
At amortised cost:		
- Bank balances	6,077	660,350
- Advanced payment for investments	-	6,106,011
- Qard Hassan to policyholders' fund	3,268,970	3,213,484
- Due from Parent Company	613,773	613,893
- Other assets	248,482	50,286
Financial assets at fair value:		
Investments at fair value through other comprehensive income	4,799,030	2
	8,936,332	10,644,026
Financial liabilities:		
Financial liabilities at amortised cost:		
Amount due to policyholders'	1,724,863	2,583,735
Other liabilities	266,606	458,364
	1,991,469	3,042,099
Policyholders' assets and liabilities		
Financial assets:		
At amortised cost:		
Cash and bank balances	50,812	221,883
Investment deposits	822,000	822,000
Premiums receivable	592,983	652,215
Accounts receivable and other assets – note 17.5	248,819	301,676
Amount due from shareholders	1,724,863	2,583,735
Reinsurance recoverable on outstanding claims	3,696,990	5,877,821
Financial assets at fair value:		
Investments at fair value through other comprehensive income	532,196	636,953
	7,668,663	11,096,283
Financial liabilities:		
Financial liabilities at amortised cost:		
Reinsurance balances payable	1,733,180	1,813,164
Unearned premiums	726,880	916,442
Other liabilities	2,940,730	3,671,267
	5,400,790	6,400,873

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortized cost, approximate their fair values.

Notes to the financial statements (continued)
22 Fair value measurement (continued)

22.2 Fair value measurement
Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures financial instruments at fair value and measurement details are disclosed below. In the opinion of the Company's management, the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

22.3 Fair value hierarchy
All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value on a recurring basis in the statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2021

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through other comprehensive income				
Foreign unquoted securities	-	-	4,799,030	4,799,030
	-	-	4,799,030	4,799,030
POLICYHOLDERS				
Investments at fair value through other comprehensive income				
Local unquoted securities	-	-	532,196	532,196
	-	-	532,196	532,196

Notes to the financial statements (continued)

22 Fair value measurement (continued)
22.3 Fair value hierarchy (continued)

31 December 2020

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through other comprehensive income:				
Foreign unquoted securities	-	-	2	2
	-	-	2	2
POLICYHOLDERS				
Investments at fair value through other comprehensive income:				
Local unquoted securities	-	-	636,953	636,953
	-	-	636,953	636,953

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model or adjusted net book value model, which includes some assumptions that are not supportable by observable market prices or rates.

Level 3 fair value measurements

The Company's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Shareholders		Policyholders	
	Investments at fair value through OCI		Investments at fair value through OCI	
	31 Dec. 2021 KD	**31 Dec. 2020 KD**	31 Dec. 2021 KD	31 Dec. 2020 KD
Opening balance	**2**	**2**	636,953	740,041
Additions	**4,799,028**	**-**	-	-
Change in fair value	**-**	**-**	(104,757)	(103,088)
Closing balance	**4,799,030**	**2**	532,196	636,953

Notes to the financial statements (continued)

22 Fair value measurement (continued)
22.3 Fair value hierarchy (continued)

Level 3 fair value measurements (continued)
The Company's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in level 3 are described below:

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices, adjusted net book value and market multiples to determine fair value.

The impact on statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the statement of profit or loss, total assets, total liabilities or total equity.

22.4 Fair value measurement of non-financial assets
The following table shows the fair value hierarchy of non-financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Shareholders				
31 December 2021				
Investment properties				
Buildings in Dubai -	-	-	**3,668,304**	**3,668,304**
	-	-	**3,668,304**	**3,668,304**
Shareholders				
December 2020 31				
Investment properties				
Buildings in Dubai -	-	-	3,611,340	3,611,340
	-	-	3,611,340	3,611,340

Investment properties in Dubai
The investment properties in Dubai represent buildings categorized as "investment properties". The fair value of the properties has been determined based on valuations obtained from an independent valuer, who is specialized in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. The valuer who is foreign reputable valuer has valued the properties primarily by comparable market approach. When the comparable market approach is used, adjustments have been incorporated for factors specific to the building such as liquidity and uncertainty in the market, age of building and its general condition.

Notes to the financial statements (continued)

22 Fair value measurement (continued)

22.4 Fair value measurement of non-financial assets (continued)

Investment properties in Dubai (continued)

Further information regarding the fair value measurements is set out in the table below:

31 December 2021

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in in Dubai	Comparable market approach	Price (per sq. ft.)	**KD65 - KD146**	Higher the price, higher the fair value

31 December 2020

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in in Dubai	Comparable market approach	Price (per sq. ft.)	KD63 – KD134	Higher the price, higher the fair value

The non-financial assets within this level can be reconciled from beginning to ending balances as follows:

	Investment Properties	
	31 Dec. 2021 KD	31 Dec. 2020 KD
Additions during the year	**3,611,340**	4,015,000
Change in fair value during the year	**182,888**	(403,660)
Disposal during the year	**(125,924)**	-
	3,668,304	3,611,340

23 Capital management objectives

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital consists of total equity. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors its capital by way of return on equity. This is calculated by reference to profit/(loss)for the year divided by total equity as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Profit/(loss) for the year	**64,414**	(5,696,782)
Total equity	**8,064,198**	7,999,784
Return on equity	**0.8%**	(71.21)%

Notes to the financial statements (continued)

24 Capital commitments
As at 31 December 2021, the Company had capital commitment amounting to KD Nil (31 December 2020: KD765,000) with respect to participation in the incorporation of an associate.

25 Covid19 Pandemic Impact
The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Governments worldwide imposed travel bans and strict quarantine measures in order to slow the spread of Covid-19. Business are dealing with lost revenue and disrupted supply chains. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak remains unclear at this time.

Management has updated its assumptions with respect to judgements and estimates on various account balances which may be potenially impacted due to continued uncertainties in the volatile economic environment in which the Company's conducts its operations for shareholders and policyholders. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations.

26 Subsequent event
Subsequent to the reporting date, the Company has signed an agreement with a related party to dispose part of its foreign unqouted investment for a total consideration of KD 779,476 and the disposal proceeds will be settoff against due to related party balance of the same related party. The resulted gain on this disposal will be adjusted in the next reporting period and it is not significant to the financial statements of the Company.