ANNUAL REPORT

2022

الأولى تكافل

FIRST TAKAFUL

الأولـــــى تـكافـــل
FIRST TAKAFUL

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For All That Matters • لـكــل ما هـو مـهـم

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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

الأولــــــى تــكافــــل

FIRST TAKAFUL

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 God , Blessings and peace be upon the most noble of Messengers, the Prophet Mohammad and on his kinsman and disciples

Dear Honorable Shareholders

May the peace, blessings, and mercy of Allah be upon you

.Dear shareholders:

The year 2022 was full of many global events, some of which were joyful and positive, and some that were sad and negative. It is not hidden from you the deterioration of the political and economic conditions in the region in general and in particular after the recent events related to the Ukrainian-Russian war that ravages the global economy in general. In addition to the repercussions of the Corona virus during the past years and its impact on the global and local economy in particular. Despite all of this, First Takaful maintained during the year 2022 its integrated strategy by cleaning up insurance portfolios, avoiding negative competition, and strengthening capital reserves and technical provisions. To the portfolios of shareholders and policyholders with the aim of enhancing the financial solvency of the company and striving to select the best insurance contributions in order to raise the company's efficiency and ability to compete in the market and provide distinguished service to its customers.

Corporate governance and social responsibility

First Takaful maintained its reputation and leadership through its outstanding performance during the previous years, as well as through its application of all laws and regulatory decisions issued by the Insurance Regulatory Unit, the Capital Markets Authority, and the Kuwait Stock Exchange Company, and through its commitment to internal control policies, risk management, procedures, powers, principles of good governance, and the application of the compliance law Tax and also through its full commitment to the provisions of Islamic Sharia in its dealings in insurance, reinsurance and investments.

One of the most important priorities of "First Takaful" is to adhere to its social responsibility by promoting insurance awareness among individuals and the private sector in the State of Kuwait. Accordingly, the company's management issued until 2022 twenty-eight periodicals to increase insurance awareness in the insurance market in Kuwait.

And since social responsibility is considered one of the pillars of the First Takaful Insurance Company, the company took the initiative to contribute to its social responsibility, as it was keen to support many national health, charitable and educational events. Social care homes, and in recognition of the first Takaful thanks to the elderly, the company held a group breakfast for the Farah House for the elderly.

Shareholder results:

First Takaful achieved in 2022 a profit of KD 140,475. For a profit of KD 64,414. for the year 2021, with an increase of 118.08% as a result of an increase in the change in the fair value of investment properties, in addition to recording other income, achieving an earnings per share of 1.32 fils in 2022 compared to an earnings per share of 0.6 fils in 2021, and shareholders' equity for the current year amounted to KD 9,243,984 . compared to KD 8,064,198 in the previous year, an increase of 14.63%, and the total assets of shareholders in the current year amounted to KD 13,287,502. For KD 13,324,637. In the previous year, a decrease of (0.28)%.

It is worth noting that, as is customary in First Takaful - and praise be to God - no penalties or violations were imposed by the regulatory authorities on the company during the year 2022.

The remuneration of the members of the Board of Directors, the reward for attending its committees during the year 2022, and the monthly bonuses, benefits and salaries obtained by the executive management are attached to the report of the Nominations and Remuneration Committee in the annual report for your perusal.

Policyholders portfolio results:

Despite the intense competition in the local insurance market, "First Takaful" was able, praise be to God, to achieve satisfactory results and achieve insurance surpluses compared to last year. Insurance companies, and the company constantly sets its sights on developing modern technology systems to serve the company's customers and shareholders, and during the year all reinsurance agreements were renewed.

Written subscriptions for the fiscal year 2022 amounted to KD 3,339,721. Compared to what the company achieved in the fiscal year 2021, which amounted to KD 3,317,018. An increase of KD 22,703. And by 0.69%, this slight increase in the value of subscriptions is due to the company's reservation regarding underwriting health insurance policies to study prices in the competitive market and reformulate the terms of the policies to achieve the best return and best services for customers.

The portfolio of policyholders for the year 2022 recorded an insurance surplus of KD 219,964. Against an insurance deficit of (55,486 KD) achieved in 2021, with an increase of 496.4%, this increase in profits is the result of a significant decrease in the value of incurred compensation resulting from the company's policy of selecting profitable insurance portfolios, in addition to recording profits from reinstatement agreements Insurance, this is despite the company setting aside technical provisions in addition to provisions for doubtful sums. Noting that, according to the requirements of the Insurance Regulatory Unit in the executive regulations of Law No. 125 of 2019 regarding the regulation of insurance, which stipulates the submission of a study by an actuarial expert to calculate the technical provisions, the expert did The actuary, after examining and studying the insurance portfolio of the company by calculating technical provisions for the company estimated at KD 2,275,000. Accordingly, and in line with the hedging policy pursued by First Takaful, the company made technical provisions amounting to KD 2,592,000, which is more than the provisions determined by the actuary. In the amount of KD 317,000, in anticipation of any emergency in the future.

Dear shareholders:

First Takaful is interested in the development of human resources, given that the human element is the cornerstone of the company and the mainstay 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 control work and to create a second row 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 approval of Insurance Law No. 125 of 2019 and the issuance of the executive regulations of Law No. 125 of 2019 regarding the regulation of insurance, this has led to a noticeable improvement in the performance of operating companies and a reduction in 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 similar ones in other neighboring countries and global insurance markets, especially with regard to regulating the market in terms of prices, reviewing licenses granted to some insurance companies, and obliging companies to a certain level of service to their customers in order to improve quality. And the general appearance of the domestic insurance market.

Thanks and appreciation:

In conclusion, we ask God Almighty to help us achieve what we aspired to for the good of our beloved homeland, the company and our honorable shareholders under the leadership and directives of His Highness the Emir of the country, his faithful Crown Prince and His Highness the Prime Minister, may God protect and preserve them. We also extend our thanks to the shareholders and the members of the Supervisory Authority Sharia, executive management, company employees, the Insurance Regulatory Unit, the Ministry of Commerce and Industry, the Capital Markets Authority, the Kuwait Stock Exchange Company and the company's clients. We also pray to God Almighty to guide us to further progress and prosperity.

Peace, mercy and blessings of God

Abdullah Abdul Razzaq Al Asfour
Chairman of the Board - Non-Executive Member

BOARD OF DIRECTORS

Abdullah Abdul Razzaq Al Asfour
Chairman of the Board - Non-Executive Member

Hussain Ali Al-Attal
Vice-Chairman,
Chief Executive Officer - Executive Member

Bader Jassim Alhajeri
Board Member - Non-Executive Member

Rami Habli
Board Member - Non-Executive Member

Osama Abdul Latif Al Abdul Jalil
Board Member - Non-Executive Member

Bandar Suleiman Al-Jarallah
Board Member - Non-Executive Member

Saleh Al-Tnaib
Board Member- Non-Executive Member

Malik Salim Oraikat
Secretary of the Board

Fatwa and Shari›a Supervisory Board Report

In The Name of Allah Most Gracious Most Merciful

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 31/12/2022 for presentation to the company's general assembly.

Based on the testimony of the Chairman of the Commission delegated by it to monitor and follow up all the company's business from the legal point of view, His Eminence Sheikh Dr. Anwar Shuaib Abdul Salam, and what was presented to the Commission in terms of transactions and operations in the field of Takaful insurance, including Takaful insurances, products, investments and contracts, the Commission considers that it is in accordance with 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.Mohammed Abdul Razzaq Al-Tabtabai
Member o Fatwa and
Shari›a Supervisory Board

Sheikh Dr. Anwar Shuaib Abdul Salam
Chairman of Fatwa and
Shari›a Supervisory Board

Sheikh Dr. Essam El Ghareeb
Member o 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 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	Vice-Chairman and C.E.O	
Osama Abdul Latif Al Abdul Jalil	Independant Board Member	
Bandar Suleiman Al-Jarallah	Independant Board Member	
Bader Jassim Alhajeri	Non-Executive Board Member	
Saleh Al-Tnaib	Non-Executive Board Member	
Rami Habli	Non-Executive Board Member	

Official Stamp

First Takaful Insurance Co.
الشركة الأولى للتأمين التكافلي

Kuwait: 20/03/2023

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.

Vice Chairman and Chief Executive Officer:
Hussain Ali Al-Attal

Signature

V.P Finance & Administraion:
Malik Salim Oraikat

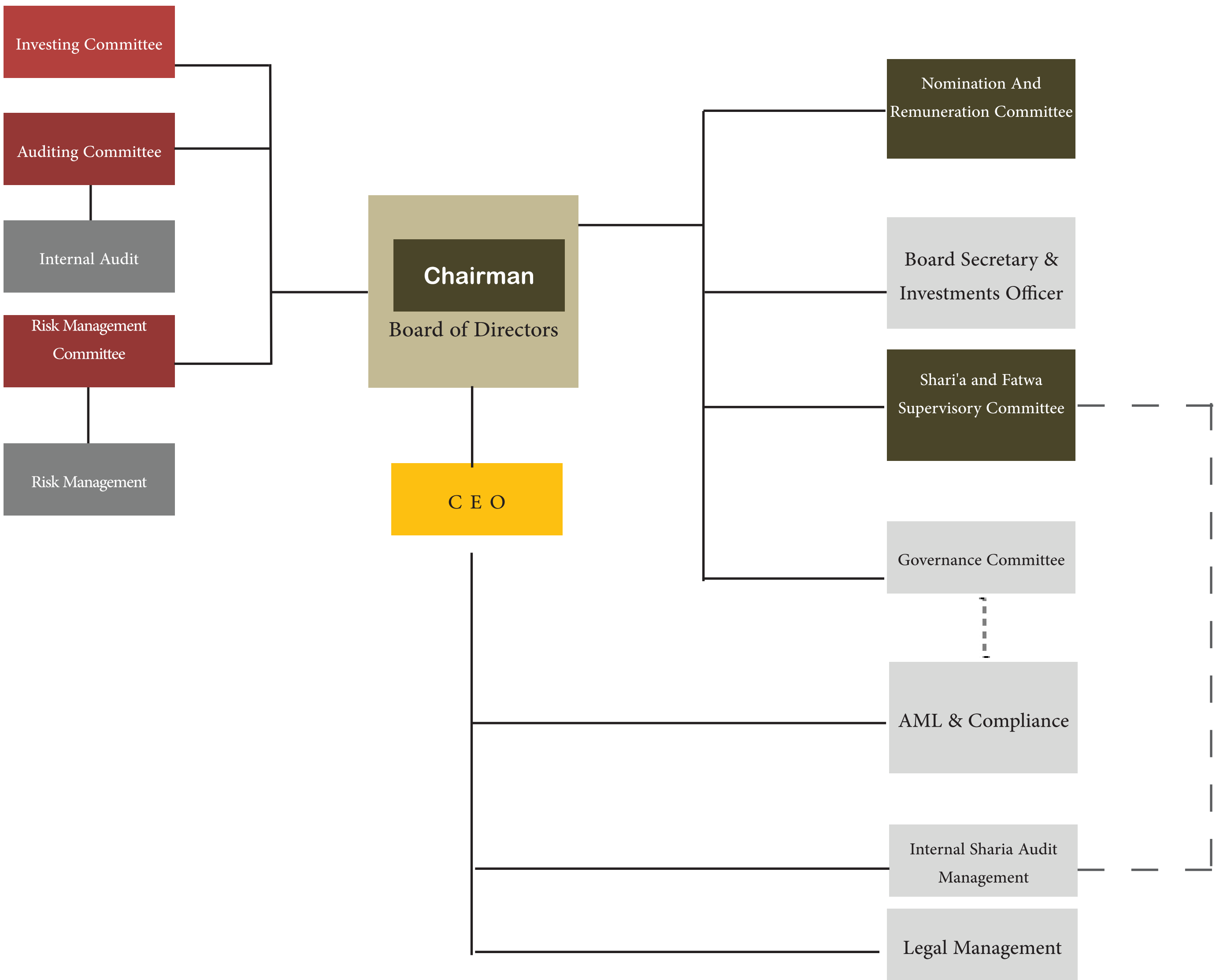
Signature

Official Stamp

Kuwait: 20/03/2023

GOVERNANCE

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 one - Building a balanced structure for the Board of Directors:

Brief about the formation of the Board of Directors:

The management of the First Takaful Insurance Company is chaired by a board of directors consisting of seven members with diverse experiences and skills, who were elected by the shareholders through the company's general assembly that was held on April 28, 2022, in which the members of the Board of Directors were elected for the next three years (2022-2024), to achieve sustainable value for the parties With interests (shareholders, customers, employees and the community), the board has a majority of non-executive members and two independent members. This reinforces the principle of independence in decision-making and oversight of the performance of the executive management to achieve the desired goals.

The Board of Directors also exercises powers and responsibilities in accordance with the company's policies and the work system of the Board of Directors. The Board of Directors bears full responsibility for "First Takaful", and the scope of work of the Board of Directors includes, for example, but not limited to:

- Developing the company's strategy, defining the desired goals, and drawing up the company's future plans.
- Determine the company's risk appetite.
- Work to adhere to the standards of good governance and follow up on their implementation.
- Supervising the executive management and monitoring its performance and work, including the CEO.

The commitment of the Board of Directors to apply good governance is also considered one of the most important axes to ensure the achievement of the company's goals and one of the foundations for maintaining the trust granted by the shareholders. Shareholders, employees, and other stakeholders, and ensure that the management of "First Takaful" is carried out within the scope of the laws and instructions in force and the approved internal policies of "First Takaful".

Board of Directors:

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	April 28, 2022
Hussein Ali Al-Attal	Vice-Chairman and Chief Executive Officer - Executive Member -	-Bachelor of Business Administration and Marketing -Experience over 30 years	April 28, 2022
Bandar Suleiman Al-Jarallah	Board Member – Independent Member	-Bachelor of Marketing - Over 20 years of experience	April 28, 2022
Bader Jassim Alhajeri	Board Member - Non-Executive Member	-Bachelor of Business management - marketing - Over 20 years experience	April 28, 2022
Rami Habli	Board Member - Non-executive member	-Bachelor of Business Administration -Experience more than 20 years	April 28, 2022
Saleh M. Altnaib	Board Member - Non-Executive Member	-Master In Accounting - Over 10 years of experience	April 28, 2022
Osama Abdul Latif Al Abdul Jalil	Board Member – Independent Member	-Bachelor of Law - Experience more than 25 years	April 28, 2022
Mr. Malik Salim Erekat	Secretary of the Board	-Bachelor of Commerce in advanced accounting and auditing - experience more than 30 years	May 12, 2022

Organizing board meetings:

Based on the commitment of the First Takaful Insurance Company to organize periodic meetings, apply the highest standards of governance and meet the requirements of the laws and instructions of the regulatory authorities, the Ministry of Commerce and Industry - Companies Law and the Capital Markets Authority - Corporate Governance, that the number of board meetings is not less than (6) meetings annually, and that The Board of Directors shall hold at least one meeting per quarter.

Summary of the meetings of the Board of Directors of "First Takaful" during 2022:

The Board of Directors of the First Takaful Insurance Company held (8) meetings during the year 2022, and the following table shows the details of those meetings and the number of meetings attended by each member during the year 2022:

Member name /title	Meeting no. (1/2022) Dated 13/02/2022	Meeting no. (2/2022) Dated 22/03/2022	Meeting no. (3/2022) Dated 12/05/2022	Meeting no. (4/2022) Dated 26/05/2022	Meeting no. (5/2022) Dated 08/06/2022	Meeting no. (6/2022) Dated 14/08/2022	Meeting no. (7/2022) Dated 08/11/2022	Meeting no. (8/2022) Dated 24/12/2022	Number of Meeting	Attendance Percentage
Abdullah Al Asfour Board Chairman	√	√	√	√	√	√	√	√	8	100%
Hussein Al-Attal Member of Board	√	√	√	√	√	√	√	√	8	100%
Osama Al Abdul Jalil Independent Member	√	√	√	√	√	X	√	X	6	75%
Bandar Suleiman Al-Jarallah Independent Member	-	-	√	√	√	√	√	X	5	62.5%
Saleh Al-Tnaib Member of Board	X	√	X	√	√	√	√	√	6	75%
Rami Habli Member of Board	√	√	√	√	√	x	√	√	6	100%
Bader Alhajeri Member of Board	√	√	√	√	√	√	√	√	7	100%
Laila A. Al-Ibrahim Member of Board	√	√	-	-	-	-	-	-	2	25%

"√ " Attended the board meeting.
"X" did not attend the Board of Directors meeting.
"-" The meeting of the Board of Directors has taken place and he did not have the status of a member of the Board of Directors.

Summary of the most important achievements and decisions taken by the Board of Directors of the company during the year 2022:
The Board of Directors of First Takaful was keen to follow up on the implementation of the strategic plans and the desired goals, and it also works in constant communication with the executive management in order to achieve those goals and plans. The most important of them are the following:

• An agreement to provide a service for preparing a report for reviewing and evaluating the performance of the Internal Audit Department for the three years from July 01, 2019 to June 30, 2022 was discussed with the UHY Pillars office - an independent member of the global Pillars network.

• The recommendations of the Investment Committee regarding the opportunity to sell real estate assets owned by the First Takaful Insurance Company in the United Arab Emirates were discussed.

• The risk management results report for related party transactions related to the proposed sale of a number of real estate units has been reviewed Agree to this item.

• The settlement of the net balances incurred by First Takaful Insurance Company through in-kind payment was discussed, with the aim of improving the company's financial position. It is necessary to classify the company in accordance with Law No. 125/2019 regarding the regulation of insurance for the purpose of not exceeding the investment in one asset by 20% of the total assets.

• The Audit Committee's report regarding the company's draft financial statements for the fiscal year ending on 12/31/2021 was discussed and approved.

• The company's draft financial statements for the fiscal year ending on 12/31/2021 were approved after approving the audit committee's recommendations.

• The agenda items of the Ordinary General Assembly for the fiscal year ending on 12/31/2021 were discussed and approved.

• The items on the agenda of the Extraordinary General Assembly regarding adding an item to Article 4 of the Articles of Association related to the company's objectives were discussed by investing a percentage of the company's financial surpluses through real estate investment and owning them inside and outside the State of Kuwait, and it was approved.

• The report issued by the Audit Committee on "evaluating 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, 2021, was reviewed and approved, and the Board of Directors' recommendation to approve the report.

• The report of the assessment and review of the internal control systems of the First Takaful Insurance Company for the fiscal year ending on 31/12/2021, prepared by an external audit office and sent to the Capital Markets Authority - State of Kuwait, was approved.
• The Audit Committee's recommendation to re-appoint Messrs. Grant Thornton - Kuwait as an external auditor for the company to carry out the external audit work for the fiscal year ending on December 31, 2022 was approved, with a proposal to stabilize the professional fees as agreed upon, and we confirm the independence of the auditor, and the letter of appointment was reviewed The auditor, provided that he is among those registered in the special register with the Capital Markets Authority, taking into account the period of the mandatory change.
• The report of the Audit Committee regarding the draft interim financial statements of the company for the financial period ending on 31/03/2022 was discussed and approved.
• The company's draft interim financial statements for the financial period ending on 31/03/2022 were approved after approving the audit committee's recommendations.
• Further to the meeting of the Ordinary General Assembly of the First Takaful Insurance Company, which was held on April 28, 2022, in which the members of the Board of Directors were elected for the next three years (2022-2024), so the Board of Directors was formed.
• The decision to nominate and approve the members of the Board of Directors for the membership of the Committees of the Board of Directors of the First Takaful Insurance Company was approved, and accordingly the members of the committees were formed.

• The report issued by an independent audit office (Grant Thornton Kuwait) on the "Internal Control Report" was approved, and a copy of the report was provided to the Capital Markets Authority - State of Kuwait.
• The report of the results of the risk management review of related party transactions - a contract to provide technical consulting services and training in the field of insurance with Kuwait Holding Company - was approved.
• The report of the Audit Committee regarding the draft interim financial statements of the company for the financial period ending on 06/30/2022 was discussed and approved.
• The company's draft interim financial statements for the financial period ending on 06/30/2022 were approved after approving the audit committee's recommendations.
• The report of the Audit Committee regarding the draft interim financial statements of the company for the financial period ending on 09/30/2022 was discussed and approved.
• The company's draft interim financial statements for the financial period ending on 09/30/2022 were approved after approving the audit committee's recommendations.
• The members discussed investment in bank deposits with Messrs. / Kuwait International Bank in the amount of 339,000 Kuwaiti dinars from the amounts collected from the sale of some of the company's real estate in the United Arab Emirates, and that it is necessary to complete the application for a license to practice the company, and these deposits were reserved in the name of Messrs. / Organization Unit insurance, and accordingly this item was approved.
• Reviewing and reviewing the risk management report on transactions with related parties, with approval of the recommendations issued in the said report (after the CEO's approval of the report).
• The estimated budget for the fiscal year 2023 and the work plan for the coming years 2024-2027 were discussed and approved, and among the most important results of the expected estimated budget.
• The organizational structure of the company and the matrix of financial and administrative powers have been approved.
• Review and approve a report on the level of independence and objectivity of the internal audit activity.
• Review and approval of the internal audit performance evaluation report.
• Review and approval of the risk management activity performance evaluation report.
• The updated investment policy and charter of the investment committee of the company have been reviewed and approved.
• The company's anti-money laundering and terrorist financing policies and procedures have been reviewed and approved.

Recording, coordinating and keeping the minutes of the Board of Directors meetings / the work of the secretary:

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. The record also contains the following information:-

• The agenda of each meeting.
• Its date and venue.
• The date and time of the beginning and end of the meeting.

The secretary also works to provide the members of the council with the agenda, supported by documents and papers related to it, three working days in advance, in order to allow the members to study the items of the agenda.

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 by securing, delivering and distributing the required information and documents, as well as working on coordination among the members of the board of directors and between stakeholders and other parties associated with the company.

second rule - proper identification of tasks and responsibilities:

A summary of how to apply the requirements that allow members of the Board of Directors 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 the principles of good governance, where the members of the Board of Directors are provided with the meeting agenda supported by all specific topics and reinforced with the necessary documents and information through the various means of communication used in the company. This procedure is implemented by the Secretary of the Board of Directors, This is done at least three working days prior to any meeting of the Board of Directors, with the exception of emergency meetings so that the members can read and study the issues raised well before the meeting.

The work policy of the Board of Directors / Executive Management:

The First Takaful Insurance Company was keen to provide clear policies and procedures that define the tasks, responsibilities and duties of the Board of Directors and the 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 achieve the principles of governance.

The First Takaful Insurance Company also periodically updates these policies and procedures, as well as the matrix of financial powers, management and organizational structure, to keep pace with any change or update.

Board of Directors' work policy:

The work charter of the First Takaful Board of Directors stipulates that the board shall directly supervise and monitor business management to protect the interests of stakeholders in terms of the principles of good governance, maintain internal, financial and accounting control, and follow up on reports. .

Policies and procedures regulating the work of the executive management:

The company, First Takaful, has prepared and implemented a guide for policies and procedures for all departments of the company, in addition to the policies related to the requirements of the executive regulations - Book Fifteen - Corporate Governance issued by the Capital Markets Authority - State of Kuwait, as well as policies related to the requirements of other regulatory authorities. Each guide contains the tasks that It is carried out by the competent department and the obligations incurred by it in detail, which work on the following:

• Providing efficiency and effectiveness within the company's activities;
• Complete separation of powers between jobs.

The company also has a matrix of financial and administrative delegation of powers, which covers all departments operating within the company's corridors and is updated whenever necessary.

The Board of Directors of the First Takaful Insurance Company formed committees emanating from it.

It is independent in accordance with the internal regulations of the company, and includes a comprehensive definition of the tasks and responsibilities of the committees and the powers granted to them during the period, as well as how to supervise them. The committees of the Board of Directors are also obligated to inform the Board of Directors of what they are doing and the findings and recommendations they reach.

The committees were also formed by the members of the Board of Directors on 12/05/2022 for the next three years, and the duration and work period of these committees were determined, provided that their duration, period, and members are updated with the election of members of the Board of Directors every three years,

Formation of Board Committees:

Third rule - selecting qualified persons for membership of the Board of Directors and Executive Management:

Nominations and Rewards Committee:

The Nominations and Rewards Committee is a pop-up and specialized committee consisting of members of the Board of Directors. The committee performs a set of main tasks as follows:

• Prepare recommendations to the Board of Directors regarding proposed nominations through a comprehensive and transparent framework for the appointment of members of the Board of Directors and senior management of the company;

• Setting a clear policy for remuneration of the Board of Directors and the Executive Management;

• Preparing a detailed report on the remuneration granted to members of the Board of Directors and Executive Management;

• Ensure that the independence of the independent board member is not lost.

Composition of the Committee:

The company, "First Takaful", is committed to forming committees of the Board of Directors in accordance with what is stipulated in Book Fifteen of Corporate Governance in terms of controls and provisions. The Nominations and Remunerations Committee has been formed as follows:

• The number of committee members is three members of the Board of Directors;

• One of the independent members of the committee;

• The Chairman of the Committee is a non-executive member of the Board of Directors.

Below you will find the meetings of the Nominations and Rewards Committee in the company "First Takaful" for the year 2022:

NOMINATION AND REWARDS COMMITTEE			
Members	**Laila Abdul Karim Ibrahim Head of committee**	**Hussain Ali Al-Attal Member of committee**	**Osama Abdul Latif Al Abdul Jalil Member of committee- Independent**
Meeting no. 01/2022	√	√	√
Attendance percentage	**100 %**	**100 %**	**100 %**

The most important achievements of the committee during the year 2022:

• A detailed annual report has been prepared on all fixed and variable remunerations granted to members of the Board of Directors and Executive Management, whether amounts, benefits or benefits. The detailed report will also be presented to the General Assembly of the company for approval, and it will be recited by the Chairman of the Board of Directors.

• The remuneration policy has been revised.

• The performance appraisal policy has been revised.

• The needs of the executive management have been reviewed in filling some executive positions, and the CEO has been authorized to carry out all necessary procedures.

• It was confirmed that the independence status of the independent member of the Board of Directors was not denied by signing the declaration of independence.

• The organizational structure of the company and the matrix of powers have been reviewed and updated.

• Recommending the acceptance of the re-nomination of the members of the Board of Directors and the Executive Management.

Report of bonuses granted to members of the Board of Directors and Executive Management during the year 2022:

First: The system of rewards and incentives used by the company:

The system of rewards and incentives granted to the members of the Board of Directors and the executive management in force in the First Takaful Insurance Company is based on indicators and the level of performance and the main 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: Bonuses granted to members of the Board of Directors and Executive Management, whether they are amounts, benefits, or advantages. Below are details of the values for all granted rewards:

- **Bonuses and benefits for members of the Board of Directors**

Total number of members	Bonuses and benefits through the parent company			Bonuses 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	0	0	9,500 KD	-	-	-	-

- Bonuses and benefits granted to five senior executives who received the highest rewards, in addition to the Chief Executive Officer and the Chief Financial Officer or whoever takes their place if he is not among them.

Number	Bonuses and benefits through the parent company						Bonuses 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	life Insurance	Annual tickets	Parking allowance	Annual reward	There are no rewards or benefits either fixed or variable through affiliates.	
7	249,600 KD	7,230 KD	**4,039.7** KD	6,115 KD	960 KD	34,075 KD	0	

- Bonuses and benefits granted to all employees of the company, excluding the addition of five senior executives who received the highest bonuses, the chief executive officer and the financial director or whoever acts on their behalf.

Number	Bonuses and benefits through the parent company					Bonuses and benefits through affiliates	
	Fixed bonuses and benefits (KD)				Variable Bonuses and benefits (KD)	Fixed Bonuses and benefits (KD)	Variable Bonuses and benefits (KD)
-	Monthly salaries(Total during the year)	health insurance	life insurance	Parking allowance	Annual reward	There are no Bonuses or benefits either fixed or variable through affiliates.	
	260,488.921 KD	**26,800 KD**	**4,807.897 KD**	**3,125.000 KD**	**26,738.000 KD**	0	

The total remuneration for the executive and senior management employees is estimated at KD 623,979.518

Third: Other rewards granted directly or indirectly:

• There are no other rewards.

Fourth: Substantial deviations from the approved rewards policy:

• There are no material deviations.

Acknowledgment Independent board member

Name: Mr. Osama Abdul Latif Al-Abdul-Jalil
Member of the Board of Directors of the First Takaful Insurance Company - independent

Date: 06/02/2023

Signature:

I, the undersigned Mr. / Osama Abdul Latif Al-Abdul-Jalil - Member of the Board of Directors - Independent at the First Takaful Insurance Company, hereby declare that I meet the following conditions:

1- I enjoy complete independence as stated in Article (2-3) of Chapter Two of Book Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and its amendments. Please find an attachment This approval is the text of the article.

Acknowledgment Independent board member

Name: Mr. Bandar Suleiman Al-Jarallah
Member of the Board of Directors of the First Takaful Insurance Company - independent

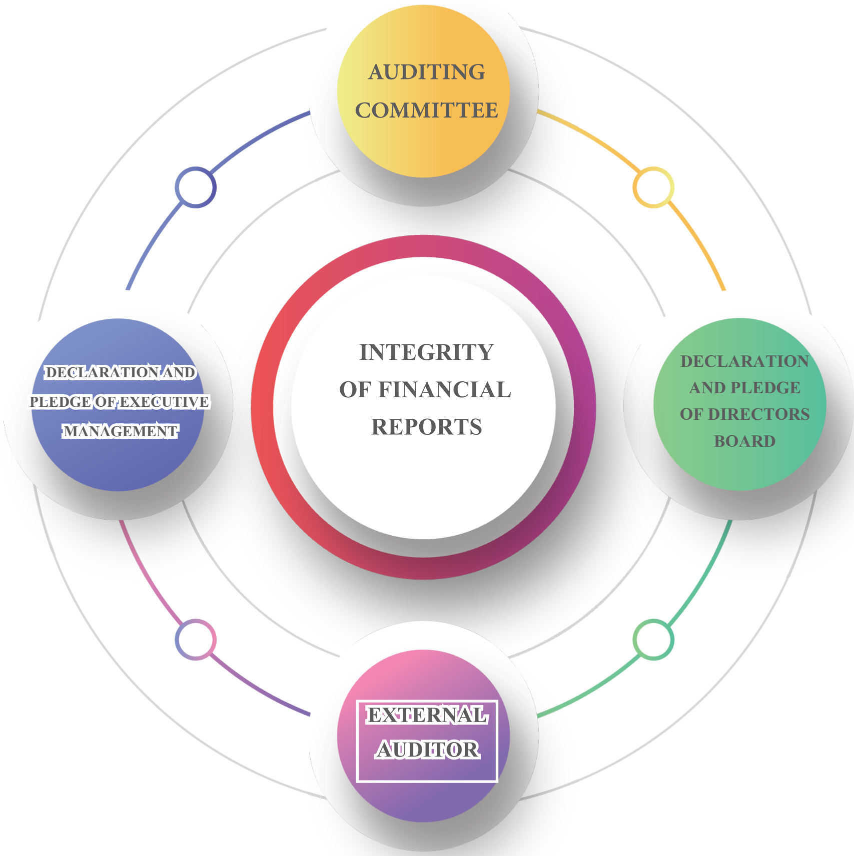
Date: 05/01/2023

Signature:

I, the undersigned Mr. / Bandar Suleiman Al-Jarallah - Member of the Board of Directors - Independent at the First Takaful Insurance Company, hereby declare that I meet the following conditions:

1- I enjoy complete independence as stated in Article (2-3) of Chapter Two of Book Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and its amendments. Please find an attachment This approval is the text of the article.

Rule Four - Ensuring the Integrity of Financial Reports:



Acknowledgment and undertaking of the executive management regarding the financial reports:

The executive management of the company submits a written declaration to the board of directors on an annual basis. The executive management acknowledges that all financial reports submitted to the board of directors of the company are presented properly and fairly, and that they include all the financial aspects of the company such as data and operational results, and that all financial reports have been prepared in accordance with accounting standards. approved by the Capital Markets Authority.

Acknowledgment and undertaking of the Board of Directors regarding the financial reports:

The Board of Directors of the company submits a written declaration and undertaking of its full responsibility for the safety and integrity of all data and annual financial reports of the company, based on the information, data and reports provided to the Board of Directors by the executive management, as well as based on the executive management's undertaking to the Board of Directors to present all financial reports in a sound and fair manner. .

The Audit Committee:

The Audit Committee is considered one of the most important basic features of applying the rules of good governance. The Audit Committee is also an important committee for the Board of Directors of the First Takaful Insurance Company. The Audit Committee performs a set of main tasks, as follows:

• Ensure the integrity of the company's financial statements;
• Recommend to the Board of Directors the appointment and re-appointment of the external auditors or change them and determine their fees;
• The efficiency and effectiveness of internal control systems and ensuring compliance with them;
• Recommending the appointment of an internal audit manager and evaluating the performance and effectiveness of the company's internal audit department;
• The company's compliance with relevant legal requirements, policies, systems and instructions.

In the event of any conflict between the recommendations of the audit committee and the decisions of the Board of Directors, including the refusal of the Board of Directors to follow the recommendations of the Audit Committee, the governance report shall include a detailed statement by the Board of Directors detailing the recommendations and the reason or The reasons behind the decision of the Board of Directors not to comply with it.

Composition of the Committee:

The company, "First Takaful", is committed to forming committees of the Board of Directors in accordance with what is stipulated in Book Fifteen of Corporate Governance in terms of controls and provisions. The audit committee was formed as follows:

• The number of committee members is three members of the Board of Directors;

• One of the independent members of the committee;

• The Chairman of the Board of Directors and the executive members of the Board of Directors are not members of the Committee.

Please find below the meetings of the Audit Committee of the company "First Takaful" for the year 2022:

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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. 01/2022	√	√	X
Meeting no. 02/2022	√	√	X
Committee Members	**Saleh Al-Tanib Head of Committee**	**Rami Habli Member of committee**	**Bandar Suleiman Al-Jarallah Member of committee- Independent**
Meeting no. 03/2022	√	√	X
Meeting no. 04/2022	√	√	√
Attendance percentage	100 %	100 %	25 %

The most important achievements of the committee during 2022:

• The offer submitted by Messrs. UHY - Auditor Mr. Zuhair Al-Duaij was reviewed for an external review and evaluation of the internal audit activity (every three years) as of June 30, 2022, in compliance with the requirements of the Capital Markets Authority - State of Kuwait.

• The company's commitment to relevant laws, policies, systems and instructions has been confirmed.

• The observations and alerts issued by the "Capital Markets Authority" regarding the Authority's observations towards the company have been reviewed and reviewed, and the concerned parties have been emphasized on the need to adhere to them.

• The results of the internal audit report "Management of Fire and General Accident Insurance Subscriptions" were reviewed and approved, with an emphasis on taking the necessary corrective measures regarding the observations contained in the report.

• The internal audit plan (2022-2023) has been reviewed and approved.

• The evaluation of the performance of the internal audit activity for the year 2021 was reviewed and approved, and the contract renewal for audit services was approved.

• The report of the independent auditor has been reviewed and approved regarding "Evaluating and reviewing the internal control systems applied within the company" for the period ending on December 31, 2021.

• The internal audit report regarding "Evaluating and reviewing the internal control systems applied within the company" for the period ending on December 31, 2021 was reviewed.

• The report of the Audit Committee regarding "evaluation and review of the internal control systems applied within the company" for the period ending on December 31, 2021 was reviewed, along with the committee's recommendations in this regard.

• The accounting policies used during the preparation of the company's financial reports have been reviewed. The committee confirms the validity of the accounting policies and recommends that the Board of Directors approve the company's financial reports.

• The auditor's report regarding the financial statements for the period ending on December 31, 2021 was reviewed, and the committee did not find any note issued by the auditor regarding the financial statements.

• It was recommended to the Board of Directors to re-appoint the auditor, Mr. Abdul Latif Al-Abyan, who is registered in the register of auditors - Capital Markets Authority - State of Kuwait, with confirmation of his independence and review of his letter of appointment.

• The financial statements for the period ending on December 31, 2021 were reviewed and discussed, and the review and approval recommendation was made by the Board of Directors.

• The condensed interim financial information, the audit report for the period ending on March 31, 2022, and the recommendation for review and approval by the Board of Directors were reviewed and discussed, in addition to reviewing and discussing the summary report on the company's performance for the interim financial period as of March 31, 2022.
• The results of the internal audit report "Department of Vehicle Insurance Subscriptions" were reviewed and approved, with an emphasis on taking the necessary corrective measures regarding the observations contained in the report.
• Discussing and approving the draft interim financial statements The audit report of the company for the financial period ending on 06/30/2022 and the recommendation for review and approval by the Board of Directors.
• Discuss and approve the updated internal audit charter in June 2022.
• Discussing the approval of the independence and objectivity report issued in May and the recommendation for review and approval by the Board of Directors 2022.
• Discussing and approving the evaluation of the annual internal audit activity.
• Discussing and approving a report on the status of internal audit work (Check Point).
• Discussing and approving the review and evaluation report of the Internal Audit Department and the review and approval recommendation by the Board of Directors.
• The draft interim financial statements and the company's audit report for the financial period ending on 09/30/2022 were discussed and approved (a copy of the financial statements is attached).
• The internal audit report of the Life and Health Compensation Department has been reviewed and approved.
• The internal audit report was reviewed and approved by the Marine and Aviation Compensation Department.

External auditor:

The First Takaful Insurance Company has an auditor registered in the auditors' register with the Capital Markets Authority, and is completely independent from the company "First Takaful" and its board of directors. The company also allows the auditor to discuss his views with the audit committee by inviting him to attend the meetings of the audit committee, as well He is enabled to attend the meetings of the General Assembly and to read the report prepared by him to the shareholders, and the auditor has great powers to inform the Capital Markets Authority of any violations or obstacles in detail.
The representative of the external auditor's office of First Takaful Insurance Company attended 4 meetings of the Audit Committee for the year 2022 and discussed with the members of the committee all the financial statements.
Rule Five - Establishing sound systems for risk management and internal control:

Risk Management:

The risk management department in the company works to identify, measure and follow up the risks surrounding the company and also works to provide appropriate recommendations in this regard to the Board of Directors, and those in charge of risk management enjoy complete independence and dependence on the risk management committee emanating from the Board of Directors, and they also enjoy great powers to carry out their tasks to the fullest.

It is worth noting that Procapita 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 formed by the Board of Directors. The committee performs its main role and tasks as follows:
• Identifying and evaluating the main risks surrounding the company, as well as strategic and operational risks;
• Preparing and reviewing risk management policies prior to their approval by the Board of Directors;
• Ensure the independence of risk management and that management personnel have a full understanding of the risks surrounding the company;
• Preparing periodic reports on the nature of the risks the company is exposed to and submitting them to the Board of Directors.
Composition of the Committee:
The company is committed to forming committees of the Board of Directors in accordance with what is stipulated in Book Fifteen of Corporate Governance in terms of controls and provisions. The Risk Management Committee has been formed as follows:
• The number of committee members is three members of the Board of Directors;
• The Chairman of the Committee is a non-executive board member;
• The membership of the committee is not held by the Chairman of the Board of Directors

Below you will find the meetings of the Risk Management Committee “First Takaful” for the year 2022:

RISK MANAGEMENT COMMITTEE			
Committee Members	Rami Habli Head of committee	Hussein Al-Attal Committee Member	Badr Jassim Al Hajri committee Member
Meeting no. 01/2022	√	√	√
Meeting no. 02/2022	X	√	√
Meeting no. 03/2022	√	√	√
Meeting no. 04/2022	√	√	√
Attendance percentage	75 %	100 %	100 %

The most important achievements of the committee during the year 2022:

• The settlement of the net balances incurred by the First Takaful Insurance Company with related parties was discussed and approved by in-kind payment, with the aim of improving the financial position of the company. It is necessary to classify the company in accordance with Law No. 125/2019 regarding the regulation of insurance for the purpose of not exceeding the investment in one asset by 20% of total assets,

• The report prepared by the Mucus Department for the risk management review of transactions for related parties was also discussed and approved with regard to the settlement of net balances incurred by First Takaful Insurance Company through the following:

1. Indebtedness settlement contract with Kuwait Holding Company (6 in charge of managing debts with other parties)
2. The proposed investment as a reduction in return for debt repayment, which is Yotel The Palm Hotel (a 4-star hotel property under construction) Balqis Residence FZE

After reviewing and discussing the contents of the risk management report, it was recommended to the Board of Directors and the Investment Committee for approval.

• The report on the results of the risk management review of transactions with related parties was discussed regarding the contract for providing technical consulting and training services in the field of insurance, Kuwait Holding Company (the customer benefiting from the services provided).

• The risk management report was presented, discussed and approved as of December 31, 2021 for the First Takaful Insurance Company.

• To discuss and approve the risk management committee’s annual report. (December 2021)

• Evaluate annual risk management activity.

• Review and approval of the semi-annual risk management report as of June 30, 2022.

Internal Control:

First Takaful depends on a set of control systems and control rules that cover all the company’s business and departments. These systems and rules work to preserve the integrity of the company’s financial position, the accuracy of its data and the efficiency of its operations in various aspects. The organizational structure of the company reflects the dual control controls and includes the proper identification of authorities and responsibilities, and separation Complete tasks, non-conflict of interest, double scrutiny and double signature.

Evaluation and review of internal control systems:

A report evaluating the internal control systems in the First Takaful Insurance Company was prepared by an independent audit office for the fiscal year ending on December 31, 2022. This report included examining the control environment within the company and the extent of the company’s commitment to applying corporate governance rules issued by the Capital Markets Authority - State of Kuwait, This report was submitted to the Board of Directors and the Capital Markets Authority, and the report showed the company’s commitment to the basic internal control systems in line with the rules of the Capital Markets Authority - State of Kuwait. straighten it out.

Internal Audit Department:

The internal audit department in the company works on reviewing and evaluating the internal control systems. It also works on evaluating the performance of the executive management in applying the internal control systems. The department submits its reports to the committee, and those in charge of it enjoy complete independence. The internal audit department in the company reports to the audit committee and reports to the board of directors.

It is worth noting that Procapita Management Consulting provides consulting services in the internal audit department.

Rule Six - Promoting Professional Conduct and Ethical Values:

work charter:

The company has a work charter with comprehensive standards and behavioral determinants that were developed by the Board of Directors to consolidate moral concepts and values, and the executive staff works with these standards and determinants to achieve the company's aspirations and goals, as it contributes to the performance of tasks to the fullest.

Where the Board of Directors of the First Takaful Insurance Company approved and updated the policies and procedures that work to achieve the highest percentage of the determinants and behavioral standards of the company's work charter, you will find below some policies and procedures as an example of application for the company's operations:

• Disclosure Policies and Procedures Manual;

• internal reporting policy;

Shareholder Relations Policy;

• Related Party Policy and Investor Affairs;

• conflict of interest policy;

• related party transaction policy;

• Code of Conduct.

Conflict of interest:

The policy of conflict of interests in First Takaful works to reduce the conflict of interest between the company and the related parties, as well as to identify cases that may lead to the emergence of a conflict of interest in the future, and works to address and limit such operations, and the policy of conflict of interest contributes to the protection and integrity The reputation of the company and related parties.

The policy of conflict of interests obliges the members of the Board of Directors and the executive management to disclose any common interests they have with the company, and to separate personal interests and official responsibilities in the company, as it works to give priority to the interests of the company over the interests of its members.

Governance Committee:

The Governance Committee is a committee specialized in corporate governance, and it is an emerging committee formed by the Board of Directors. The committee performs its main role and tasks as follows:

• Monitoring the company's application and compliance with corporate governance rules;

• Preparing a detailed annual report on the extent to which corporate governance rules are applied in the First Takaful Insurance Company;

• Submitting recommendations to the Board of Directors in all matters related to the corporate governance framework;

Composition of the Committee:

The Board of Directors of the company has formed a committee emanating from it that is concerned with the rules and provisions of good governance, working on applying the best practices in force. The governance committee has been formed as follows:

• The number of committee members is three members of the Board of Directors;

• The Chairman of the Board 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 a chairman The Commission.

GOVERNANCE COMMITTEE			
Committee Members	Abdullah Al Asfour Head of committee	Hussein Al-Attal Committee Member	Laila A. Al-Ibrahim committee Member
Meeting no. 01/2022	√	√	√
Attendance percentage	100 %	100 %	100 %

The most important achievements of the committee during the year 2022:

• Preparing and approving the company's governance report for the year 2021 to be provided to the Capital Markets Authority - State of Kuwait.

• Approval of authorizing the CEO to follow up on the semi-annual corporate governance report that is submitted through the Capital Markets Authority's electronic portal, provided that the final version of this report is sent to the committee members via e-mail.

• Approving the action plan for the Compliance and Anti-Money Laundering Department for the year 2022-2023.

• Authorizing the Chief Executive Officer (member of the committee) to follow up the work plan of the Compliance Department.

Investment Committee:

A sub-committee was formed from the Board of Directors for investment, aiming at drawing up an effective investment policy, which is one of the main responsibilities entrusted to the Board of Directors.

tasks of the Committee :

• Review the company's investment plan and policy, and recommend to the Board of Directors for approval.

• Evaluate the performance of the investments made by the company and ensure that they do not deviate 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 the related risks.

• Reviewing and evaluating the contracts concluded by the executive management with local and foreign investment agencies and companies to manage the company's investments within the investment plan and policy.

• Analyzing investment risks on an ongoing basis and working to reduce risks.

Investment Committee

INVESTMENT COMMITTEE			
Committee Members	**Badr Jassim Al Hajri Head of committee**	**Hussein Al-Attal Committee Member**	**Saleh Al-Tanib committee Member**
Meeting no. 01/2022	√	√	√
Meeting no. 02/2022	√	√	√
Meeting no. 03/2022	√	√	√
Attendance percentage	100 %	100 %	100 %

Composition of the Committee:

• The Board of Directors formed the Investment Committee, numbering three members of the Board.

Committee meetings:

• The Committee approves the schedule of 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. The invitation to attend the meeting is sent at least 3 days before its date, and the agenda and attachments are attached to it. At least half of the committee members must attend in order to complete the quorum.
• The committee shall convene if requested by the chairman of the committee, two of its members, or the board of directors, provided that the request for the meeting states the reasons for it.

The most important achievements of the committee during the year 2022:
• The settlement of the net balances incurred by First Takaful Insurance Company through in-kind payment was discussed, with the aim of improving the financial position of the company. It is necessary to classify the company in accordance with Law No. 125/2019 regarding the regulation of insurance for the purpose of not exceeding the investment in one asset by 20% of the total assets.
• The results of the Risk Management Committee's reports related to the review of transactions with related parties were reviewed and the recommendation for approval was raised to the Board of Directors.
• The opportunity to sell real estate assets owned by the company in the United Arab Emirates was discussed The recommendation was attached to the Board of Directors for approval.

Rule Seven - Accurate and timely disclosure and transparency:

Presentation and disclosure mechanisms:
The company was keen to implement the best disclosure mechanisms, as the company's board of directors approved disclosure policies and procedures that include methods and means of disclosing material data and information, and it also allows complete transparency of all information and data to be presented in a timely manner. international best practices.

Disclosure record:
The company works to organize the disclosures of the members of the Board of Directors and the executive management through a record of their disclosures, as this record is available for viewing by all shareholders of the company without fees or charge, and the company updates this record periodically in order to reflect the reality of the positions of the related parties.

Investors Affairs Unit:
The company has a unit that regulates investor affairs, and it is responsible for providing all necessary data, information and reports to potential investors, and this unit enjoys high independence, as it provides these data and reports in a timely and accurate manner, through all recognized means, and a page has been provided Completed through the company's website for the Investor Affairs Unit containing all contact information for the official of this unit.

Technology:
The company operates by relying heavily on technology, as it contributes to communication with shareholders, investors and stakeholders through the use of information technology. First Takaful also provided an entire section on its website for corporate governance and company disclosures, in order to display all recent data and information that enables all From existing and potential shareholders and investors to exercise their rights in evaluating the company's performance.

Rule Eight - Respect for Shareholders' Rights:

Shareholders' equity:
The articles of association, policies, regulations, and internal controls in the company guarantee justice and equality for the rights of shareholders, and shareholders have general rights that they exercise, such as questioning the board of directors, monitoring the company's performance, as well as electing members of the board of directors and others.
"First Takaful" grants the shareholders their full rights without any discrimination and in a way that does not harm the company's interests or **contradict the 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 creating a special register kept at the clearing agency, in which the names of the shareholders in the company and the number of shares owned by each of them are recorded. Contributors to reach the highest levels of accuracy.

Encouraging shareholder participation:

The right to participate and vote in the General Assembly of the company is an inherent right for all shareholders, so the company was keen to activate this role by extending an invitation to the shareholders to attend the meeting of the General Assembly, including all data and information related to the agenda items. A special power of attorney or authorization in this regard, and the company enables the shareholders who own 5% of the company's capital to add items to the agenda, and the company provides the shareholders with disclosure data for the members of the Board of Directors and members of the executive management.

Rule Nine - Realizing the Role of Stakeholders:

Stakeholders:

Recognizing the rights of stakeholders contributes to strengthening the framework of mutual cooperation between the company and stakeholders. The company also works to respect and protect the rights of stakeholders. The policies and procedures established by the company guarantee full protection and equal treatment with members of the Board of Directors without discrimination, and work to establish good relations. With the company's customers and suppliers and maintaining the confidentiality of information related to them, the mechanism policy for submitting and settling complaints, as well as the procedures that preserve the rights of stakeholders.

Encourage stakeholder participation:

The company works to allow stakeholders to obtain all information and data related to their activities, and the company has provided a mechanism for reporting any improper practices that stakeholders are exposed to by the company, while providing full protection for whistleblowers.

Rule Ten - Enhancing and Improving Performance.

Promote better performance:

The company's interest in encouraging the development and improvement of efficiency and performance 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 activities and work of the company, through introductory programs such as the company's strategy and the financial and operational aspects of the newly appointed members, as well as the inclusion of programs and workshops Work and conferences for current members and executive management.

Accordingly, several workshops were held:

• Special workshops for members of the Board of Directors: -

- An introductory workshop was held for the members of the Board of Directors about the First Takaful Insurance Company and its insurance activities.
- An introductory program was prepared for the members of the Board of Directors and the secretaries of the Board and committees about the most important updates in the project to develop the mechanism of participation in the general assemblies.

• Some workshops, courses and conferences for the executive management:

Workshop - "International Accounting Standards" Standard No. 17 "Insurance Contracts"

- Course - Professional Certificate for General Insurance (issuance)
- Course - Professional Certificate for General Insurance (Compensation)

• Performance evaluation:

The evaluation of the performance of the members of the Board of Directors and the executive management is based on qualitative and quantitative performance indicators set 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, infecting the observations received from the regulatory authorities, controlling and solving problems, as well as participating in courses. And the extent to which it relates to the company's activity and work.

The quantitative indicators are subject to the returns on the average assets as well as the average shareholders of the net profit margin and annual returns.

Creating corporate values:

The vision and mission of the company works to create an environment suitable for institutional values of an effective and productive nature, as it contributes to improving performance rates and works to instill institutional values among its employees, and this contributes to improving work and maintaining the financial integrity of the company. The company's products have created a culture of compliance with the laws and decisions of the regulatory authorities, as well as providing services with high quality, honesty, honesty and transparency in dealing with customers, as it helps to achieve the company’s strategic goals.

Rule Eleven - Focus on the importance of social responsibility:

Social Responsibility:

The activity of social responsibility is centered on the first Takaful to achieve its social duty as a major 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 pours into strengthening the relationship between the company and society .

For example, but not limited to, you will find some of the activities of the First Takaful Insurance Company as follows:

• “Social Welfare House” First Takaful sponsored the activities of the Social Welfare House during the holy month of Ramadan, by sponsoring the Gergean party, as well as holding a group breakfast for the Farah House for the elderly.

• “Umniah Plastic Recycling” First Takaful provides Umniah containers for plastic recycling within the company’s facilities to collect and sort plastic from waste in order to recycle it and preserve the environment.

• “Periodic Bulletin” First Takaful publishes periodic educational publications that work to spread insurance awareness and highlight the culture of insurance and its importance within society in the State of Kuwait.

End of the Report,,,


الأولى تكافل
FIRST TAKAFUL
WWW.FIRSTTAKAFUL.COM.KW

Consolidated financial statements and independent auditor's report

First Takaful Insurance Company – KPSC and Its Subsidiary

Kuwait

31 December 2022

Contents

Independent auditor's report

To the Shareholders of
First Takaful Insurance Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Takaful Insurance Company - KPSC ("the Parent Company") and subsidiary, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Valuation of investment properties

The Group's investment properties represent a significant part of the Group'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 Group'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.

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

Valuation of investments held at fair value

The Group invests in various asset classes, of which 38% of the total assets represent investments which are carried at fair value and classified as investments at fair value through other comprehensive income. The investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using a fair value hierarchy as detailed in note 9. and are carried at fair value based on Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under Level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 3 we determined this to be a key audit matter. Refer to Note 4.10.3 and 22.3 for more information on fair valuation of investments at fair value through other comprehensive income.

Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investments, agreeing the carrying value of the investments to the Group's external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

Other information included in the Group's Annual Report for the year ended 31 December 2022

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Consolidated Financial Statements

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

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

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

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

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

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

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

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business or financial position of the Parent Company, except as disclosed in the note no. 10 to the consolidated financial statements.

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 2022 that might had a material effect on the business or financial position of the Parent Company.

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

Kuwait
20 March 2023

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Revenue			
Rental income	10	28,826	106,578
Gain/(loss) on disposal of investment property	10	23,532	(20,574)
Change in fair value of investment properties	10	186,196	182,888
Profit from saving deposits		9,284	-
Other income	18	110,000	-
		357,838	268,892
Expenses and other charges			
General and administrative expenses		(205,055)	(201,507)
Loss on disposal of assets held for sale	11	(7,213)	-
		(212,268)	(201,507)
Profit for the year before provision for National Labour Support Tax (NLST) and contribution for Zakat		145,570	67,385
Provision for NLST		(3,639)	(2,296)
Contribution for Zakat		(1,456)	(675)
Profit for the year		140,475	64,414
Basic and diluted earnings per share	6	1.32 Fils	0.6 Fils

The notes set out on pages 47 to 93 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Profit for the year		140,475	64,414
Other comprehensive income:			
Items not to be reclassified to profit or loss in subsequent periods:			
- Change in fair value of investments at fair value through other comprehensive income	9	1,039,311	-
Total other comprehensive income		1,039,311	-
Total comprehensive income for the year		1,179,786	64,414

The notes set out on pages 47 to 93 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	**31 Dec. 2022** KD	31 Dec. 2021 KD
Assets			
Bank balances	7	4,297	6,077
Long term bank deposit	7	439,000	-
Assets held for sale	11	543,636	-
Investment in associates	8	720,001	720,001
Investments at fair value through other comprehensive income	9	5,043,702	4,799,030
Investment properties	10	2,791,939	3,668,304
Qard Hassan to policyholders' fund	12	3,049,006	3,268,970
Due from Parent Company	18	613,773	613,773
Other assets		82,148	248,482
Total assets		13,287,502	13,324,637
/			
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		1,197,301	173,153
Foreign currency translation reserve		(282,917)	(282,917)
Accumulated losses		(2,973,606)	(3,129,244)
Total equity		9,243,984	8,064,198
Liabilities			
Policyholders' deficit reserve	12	3,049,006	3,268,970
Amount due to policyholders	15	587,523	1,724,863
Other liabilities		406,989	266,606
Total liabilities		4,043,518	5,260,439
Total equity and liabilities		13,287,502	13,324,637

Abdullah A. Al-Asfour
Chairman

Hussain Ali Mohammed Al-Attal
Vice Chairman & CEO

The notes set out on pages 47 to 93 form an integral part of these consolidated financial statements.

Consolidated 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 2021	10,660,000	336,226	306,980	173,153	(282,917)	(3,129,244)	8,064,198
Profit for the year	-	-	-	-	-	140,475	140,475
Other comprehensive income for the year	-	-	-	1,039,311	-	-	1,039,311
Total comprehensive income for the year	-	-	-	1,039,311	-	140,475	1,179,786
Realised gain transferred on disposal of financial assets at FVOCI	-	-	-	(15,163)	-	15,163	-
Balance at 31 December 2022	10,660,000	336,226	306,980	1,197,301	(282,917)	(2,973,606)	9,243,984
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

The notes set out on pages 47 to 93 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
OPERATING ACTIVITIES			
Profit for the year		140,475	64,414
Adjustments for:			
Change in fair value of investment properties		(186,196)	(182,888)
(Gain)/ loss on disposal of an investment property		(23,532)	20,574
Loss on disposal of an assets held for sale	11	7,213	-
		(62,040)	(97,900)
:Changes in operating assets and liabilities			
Due from Parent Company		-	120
Other assets		166,334	(833)
Movement in policyholders’ account		(781,701)	(888,872)
Other liabilities		140,383	(282,213)
Net cash used in operating activities		(537,024)	(1,269,698)
INVESTING ACTIVITIES			
Proceeds from sale of investment properties		229,455	52,448
Advanced payment for investments		-	1,112,236
Investment in an associate		-	(549,259)
Proceeds from disposal of an asset held for sale	11	305,789	-
Change in restricted bank balance		-	654,268
Net cash from investing activities		535,244	1,269,693
Net decrease in cash and cash equivalents		(1,780)	(5)
Cash and cash equivalents at the beginning of the year	7	6,077	6,082
Cash and cash equivalents at the end of the year	7	4,297	6,077

The notes set out on pages 47 to 93 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

First Takaful Insurance the ("Parent 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.

During the year, the Parent Company has incorporated (Weqya Real Estate Company – WLL), a fully owned subsidiary which has not started the operation yet.

The shares of the Parent Company are listed on Boursa Kuwait.

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 and its subsequent amendments. On 16 March 2021, the Executive Regulations of Law No. 125 for the year 2019 were issued.

The Parent Company is a subsidiary of International Financial Advisors Holding - KPSC ("the Ultimate Parent Company").
The Parent Company and its subsidiary are together referred to as "the Group".

The Parent 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 Group in various activities that are commensurate with the Parent 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 Parent Company's articles of association and the approval of Fatwa and Sharee'a Supervisory Board.

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

The financial statements for the year ended 31 December 2022 were authorised for issue by the board of directors of the Parent Company on 20 March 2023 and are subject to the approval of the General Assembly of the shareholders.

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.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

The following new amendments or standards were effective for the current period.

Standard or Interpretation	*Effective for annual periods beginning*
Amendment – Reference to the conceptual framework 3 IFRS	2022 January 1
Amendments – Proceeds before intended use – 16 IAS	2022 January 1
Amendments – Onerous contracts -Cost of fulfilling a contract – 37 IAS	2022 January 1
Cycle 2020-2018 Annual Improvements	2022 January 1

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

The adoption of the amendments did not have a significant impact on the Group's consolidated 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.

The adoption of the amendment did not have a significant impact on the Group's consolidated 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.

The adoption of the amendment did not have a significant impact on the Group's consolidated financial statements.

Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

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.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies

3.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated 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 Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group'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 Group's consolidated 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 Group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
Sale or Contribution of Assets between an Investor and its Associate or 28 and IAS 10 IFRS Joint Venture - Amendments	No stated date
Amendments- Disclosure of accounting policies 1 IAS	2023 January 1
Amendments- Classification of current and non-current 1 IAS	2024 January 1
Amendments- Definition of accounting estimates 8 IAS	2023 January 1
Amendments- Leases 16 IFRS	2024 January 1
Insurance Contracts 17 IFRS	2023 January 1

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:

- 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)

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

- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized 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 Group's consolidated financial statements in future should such transactions arise.

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 Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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 Group's consolidated financial statements.

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.
Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 16 Amendments – Leases

The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.
Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 17 Insurance Contracts

The IASB issued IFRS 17 'Insurance Contracts' in 2017, but since then has issued two targeted amendments in 2020 and 2021 to ease the transition to this new standard and to amend its application date. It becomes effective for periods beginning on or after 1 January 2023 and for the Group this will be its date of initial application. It captures both insurance contracts and reinsurance contracts. The Group expects that it will be impractical to apply IFRS 17 on a fully retrospective basis because not all data points for historical insurance contracts are reliably determinable. As such, the Group expects to apply the modified retrospective approach at transition as described in IFRS 17.

This new accounting standard covers the recognition and measurement, presentation and disclosure of all types of insurance contracts regardless of the type of entity that issues them.
The overall objective of IFRS 17 is to provide transparency over revenue and costs associated with insurance activities, reflect the impact of economic changes in a timely and transparent way, and to provide more information about the current and future profitability of its insurance activities. This is achieved through measuring longer term insurance contracts using discounted probability weighted cash flows, making explicit risk adjustments, and calculating a contractual service margin (CSM) that represents the unearned profits of the contract which is recognized as revenue over the insurance contract over the coverage period.

The Group is still in the process of implementing IFRS 17. Because industry practice and interpretation of the standard is still developing the likely impact of its implementation remains uncertain.

Management expects to provide an update on the likely impacts on its insurance business, along with one of its interim results annoucnments for the year 2023, as soon as the required information is available.

4 Significant accounting policies

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

4.1 Basis of preparation

The consolidated financial statements of the Group 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 Group.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)
4.1 Basis of preparation (continued)

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

4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.
The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.4 Revenue

The Group 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 Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

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 Group satisfies performance obligations by transferring the promised goods or services to its customers.

4.4.1 Rental income

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

4.4.2 Dividend income

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

4.4.3 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.

4.5 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.

4.6 Leased assets

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group 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 Group 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 Group.
- the Group 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 Group has the right to direct the use of the identified asset throughout the period of use. The Group 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 consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.6 Leased assets (continued)

The Group as a lessor (continued)

Right-of-use asset (continued)

The Group 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 Group 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 Group, 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 Group 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 Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group 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 Group'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 Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its properties. The Group 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 Group 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.

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 Group's net investment outstanding for the finance lease.

4.7 Investment in associates

An associate is an entity over which the Group 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 Group'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 Group's share of the net assets of the associate, less any impairment and the statement of profit or loss reflects the Group's share of the results of operations of associate.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.7 Investment in associates (continued)

Any excess of the cost of acquisition over the Group'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 Group'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 Group's share in the associate arising from changes in the associate's equity. Changes in the Group's share in associate's equity are recognised immediately in the statement of changes in equity.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group 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 Group'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 Group's reporting date or to a date not earlier than three months of the Group'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 Group's reporting date.

Upon loss of significant influence over the associate, the Group 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.

However, when the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group 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.

4.8 Taxation

4.8.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Parent 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.

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 Group 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.

4.8.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent 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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.8 Taxation (continued)

4.8.4 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.

4.9 Segment reporting

The Group has two operating segments: takaful insurance and investment. In identifying these operating segments, management generally follows the Group'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 Group 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.

4.10 Financial instruments

4.10.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group 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.

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

Where the Group 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 Group'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.

4.10.2 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 (FVOCI)

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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.2 Classification of financial assets (continued)

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

- the Group 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 Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4.10.3 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 Group'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 Group 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 FVOCI***

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

The Group accounts for financial assets at FVOCI 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).

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.3 Subsequent measurement of financial assets (continued)

b) Financial assets at FVOCI (continued)

Equity investments at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument - by - instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI 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.

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 Group 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.

4.10.4 **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 Group 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 Group in accordance with the contract and all the cash flows that the Group 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.

The Group 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 Group'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 Group 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 FVOCI, 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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)
4.10 Financial instruments (continued)
4.10.4 Impairment of financial assets (continued)
If the Group 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 Group 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.

4.10.5 Classification and subsequent measurement of financial liabilities
The Group'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.

4.11 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.

4.12 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.

4.13 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.

4.14 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"

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)
4.14 Investment properties (continued)

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 Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

4.15 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.

4.16 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 Group'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.

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.

4.17 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 Parent 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 Group'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 Group 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.

4.18 Foreign currency translation

4.18.1 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.

4.18.2 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.

Notes to the consolidated financial statements (continued)

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

4.18.3 Foreign operations

In the Group's consolidated 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.

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.

4.19 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Parent 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 Group 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 consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

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

4.20 Related party transactions

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

5 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated 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.

5.1 Significant management judgments

In the process of applying the Group'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 Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.10). 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 Group'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 consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (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 Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

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

The Group 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 Group 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 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Group engaged independent valuation specialists to determine fair value as at 31 December 2022 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

5.2.4 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 group.

6 Basic and diluted earnings per share

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

Notes to the consolidated financial statements(continued)

6 Basic and diluted earnings per share(continued)

	Year ended 31 Dec. 2022	Year ended 31 Dec. 2021
(Profit for the year (KD	140,475	64,414
Weighted average number of shares outstanding during the year	106,600,000	106,600,000
Basic and diluted earnings per share	1.32 Fils	0.6 Fils

7 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents of the Group comprise of the following:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Bank balances	4,297	6,077
Term Deposit	439,000	-
	443,297	6,077
Less: deposit maturing more than three months	(439,000)	-
Cash and cash equivalents as per consolidated statement of cash flows	4,297	6,077

Represents deposit placements made with local bank and carry an effective profit rate of 3.75% to 4.25%.

8 Investment in associates

Name	**Percentage ownership**		**Country of incorporation**	**Principal activity**
	31 Dec. 2022 %	31 Dec. 2021 %		
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 (b) below	48	48	Kuwait	Finance

Notes to the consolidated financial statements (continued)

8 Investment in associates (continued)

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Carrying amount at the beginning of the year	1	1
(Incorporation of an associate (b	720,000	720,000
Carrying amount at the end of year	720,001	720,001

a) The Group 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 Group's share of unrecognised losses of the associate and fair value as at 31 December 2022 were not determined because the investee Group's shares have been suspended from trading since 3 June 2014. If the investee company subsequently reports profits, the Group will resume recognising its share of these profits only after its share of the profits equals .the share of losses not recognised

b) During 2020, the Group 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 Group intended to own 51% of the investee company, however during 2021, a new shareholder has been admitted by "FFH" and the shareholding structure has been redistributed, .resulting in the Group's allocated ownership interest declining to 48%

9 Investments at fair value through other comprehensive income

	31 Dec. 2022 KD	31 Dec. 2021 KD
Foreign unquoted securities	5,043,702	4,799,030
	5,043,702	4,799,030

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the Group 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 Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

During 2021, the Group 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 2020. However, legal formalities with regard to transfer of the ownerships of these investments to the Group, are still in progress.

The above investments, includes 19.9% equity interests of Strive Group for Services Company LLC, a related party, with a carrying value of KD 2,682,130 as of reporting date (2021: KD 1,709,546). Howver, management classified this investment at fair value through other comprehensive income as the Company does not exercise significant influence over the investee.

During the year, the Group has signed an agreement with a related party to dispose part of one of the above foreign unquoted investments for a total consideration of KD 779,476 and the disposal proceeds were set off against the balance due to the same related party. The resulted gain on this disposal amounting KD15,163 was transferred within equity from change in fair value reserve to the accumulated losses during the year.

Notes to the consolidated financial statements (continued)

10 Investment properties

During 2020, the Group purchased certain investment properties in Dubai, UAE for a total consideration of KD4,015,000 from a related party. However, since the Group is currently unable to transfer the ownership of those properties in its name, the related party has signed a letter of assignment stating that they are holding these properties on behalf of the Group till all the legal formalities are completed to transfer the title deeds of the properties. Total rental income from these properties amounting to KD28,826 is included in theconsolidated statement of profit or loss for the year ended 31 December 2022.

However, holding of investments properties is not included in the Parent Company's Memorandum of Incorporation and Articles of Association.

During the year, the Group has sold one of its investment properties for a total consideration of KD229,455 (2021: KD 105,350) realizing a gain of KD23,532 (2021: loss of KD 20,574).
Movement in the carrying amount of the investment properties is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Fair value as at 1 January	3,668,304	3,611,340
Transferred to assets held for sale (refer note 11)	(856,638)	-
Disposal during the year	(205,923)	(125,924)
Change in fair value during the year	186,196	182,888
Carrying amount at the end of year	2,791,939	3,668,304

The estimation of fair value by an independent real estate valuer as of 31 December 2022 has resulted in a change in fair value gain of KD186,196 (gain of KD182,888 as at 31 December 2021) being recognized in the consolidated statement of profit or loss for the current year (refer Note 22.4 for details).

11 Assets held for sale

During the year, the management of the Group has transferred, three of its investment properties with a carrying value of KD856,638 to assets held for sale category, upon meeting the criteria for recognition as non-current assets held for sale.
During the year, the Group has disposed one of the above assets for a consideration of KD305,789 realizing a loss of KD7,213.

12 Qard Hassan to policyholders' fund and deficit reserve

In accordance with the Parent 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. 2022 KD	31 Dec. 2021 KD
Opening balance at the beginning of the year	3,268,970	3,213,484
Net (surplus)/deficit for the year from insurance operations (note 17)	(219,964)	55,486
Closing balance at the end of the year	3,049,006	3,268,970

Notes to the consolidated financial statements (continued)

13 Share capital

		31 Dec. 2022 KD	31 Dec. 2021 KD
	Authorised shares of 100 Fils each	10,760,000	10,760,000
	Issued and fully paid up shares of 100 Fils each:		
-	Shares paid in cash	972,087	972,087
-	Shares paid in kind	9,687,913	9,687,913
		10,660,000	10,660,000

14 Statutory and voluntary reserves

The Companies Law and the Parent 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 Parent 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 Parent 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 Group has incurred a loss or where accumulated losses exist.

15 Amount due to policyholders

	31 Dec. 2022 KD	31 Dec. 2021 KD
Opening balance at the beginning of the year	1,724,863	2,583,735
Net movements during the year	(1,137,340)	(858,872)
Closing balance at the end of the year	587,523	1,724,863

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 Parent Company proposed not to distribute any dividends for the year ended 31 December 2022, and this proposal is subject to the approval of the general assembly of the Parent Company's shareholders.

The annual general assembly of the shareholders held on 28 April 2022 approved thefinancial statements of the Company for the year ended 31 December 2021 and the proposal of the board of directors not to distribute any dividends for the year then ended. Further, the shareholders approved to pay remuneration for the board of directors for the year ended 31 December 2021 amounting to KD 21,000 (31 December 2020: KD Nil).

Notes to the consolidated financial statements (continued)

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 Group.

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 Group 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 Group at the financial position date.

The Group 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 Group'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 Group 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 Group 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.

Notes to the consolidated financial statements (continued)

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

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 Group'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.

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 Group'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 Group 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 Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group'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 Group 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.

Notes to the consolidated financial statements (continued)

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

Estimation uncertainty (continued)

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

Notes to the consolidated 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 2022:						
Premiums written	334,279	1,511,813	213,513	541,130	738,986	3,339,721
Less: reinsurance ceded	(252,881)	(1,052,573)	(35,283)	(365,109)	(129,071)	(1,834,917)
Net premiums	81,398	459,240	178,230	176,021	609,915	1,504,804
Movement in unearned premiums	(9,267)	(2,943)	(850)	(9,024)	192,370	170,286
Net premiums earned	72,131	456,297	177,380	166,997	802,285	1,675,090
Policy issuance fees	864	6,561	465	1,821	10,823	20,534
Profit commission	168,194	62,477	-	135,980	-	366,652
Total revenues	241,189	525,335	177,845	304,798	813,108	2,062,275
Net claims incurred	(26,953)	(130,963)	302,920	(19,593)	(568,925)	(443,514)
Movement in life mathematical reserve	-	-	-	-	-	-
Other insurance expenses	(1,964)	(12,038)	(23,289)	(6,004)	(32,159)	(75,454)
Policy acquisition costs	(22,581)	(67,850)	-	(63,025)	(36,563)	(190,019)
Total (expenses)/income	(51,498)	(210,851)	279,631	(88,622)	(637,647)	(708,987)
Surplus by line of business	189,691	314,484	457,476	216,176	175,461	1,353,288
Allocation of general and administrative expenses	(77,381)	(154,763)	(443,654)	(113,493)	(242,461)	(1,031,752)
Legal case provision (17.7)	-	-	(250,000)	-	-	(250,000)
Net surplus/(deficit) from insurance operations	112,310	159,721	(236,178)	102,683	(67,000)	71,536
Investment and other income (note 17.1)	11,132	22,265	63,824	16,327	34,880	148,428
Net surplus/(deficit) from takaful insurance operations	123,442	181,986	(172,354)	119,010	(32,120)	219,964
Other comprehensive loss for the year:						
Net change in fair value arising during the year	(17,227)	(34,453)	(98,766)	(25,266)	(53,977)	(229,689)
Other comprehensive loss for the year	(17,227)	(34,453)	(98,766)	(25,266)	(53,977)	(229,689)
Net surplus/(deficit) by line of business including other comprehensive loss	106,215	147,533	(271,120)	93,744	(86,097)	(9,725)

Notes to the consolidated financial statements (continued)

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

Policyholders' results by line of business: (continued)

	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	(178,854)	(828,303)	(35,691)	(330,707)	(113,395)	(1,486,950)
Net premiums	78,472	424,248	62,749	170,858	1,093,741	1,830,068
Movement in unearned premiums	(131)	134,205	37,251	(23,932)	42,149	189,542
Net premiums earned	78,341	558,453	100,000	146,926	1,135,890	2,019,610
Policy issuance fees	665	5,219	2,432	1,697	7,552	17,565
Profit commission	23,565	42,113	-	61,208	-	126,886
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 consolidated financial statements (continued)

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

Policyholders' assets, liabilities and fund:

	Note	31 Dec. 2022 KD	31 Dec. 2021 KD
Assets			
Cash and bank balances		184,686	50,812
Investment deposits	17.2	822,000	822,000
Investments at fair value through other comprehensive income	17.3	302,507	532,196
Premiums receivable	17.4	475,786	592,983
Accounts receivable and other assets	17.5	656,230	272,390
Amount due from shareholders	15	587,523	1,724,863
Reinsurance recoverable on outstanding claims	17.6	3,621,440	3,696,990
Equipment		15,256	45,190
Total assets		6,665,428	7,737,424
Liabilities			
Reinsurance balances payable		1,441,047	1,733,180
Unearned premiums		556,594	726,880
Outstanding claims reserve	17.6	4,897,859	5,318,152
Life mathematical reserve		16,592	16,592
Reserve retained on reinsurance business		211,000	194,364
IBNR reserve		758,388	675,862
Other liabilities	17.7	2,662,009	2,940,730
Total liabilities		10,543,489	11,605,760
Policyholders' fund			
Net deficit for policyholders at the beginning of the year		(3,268,970)	(3,213,484)
Net surplus/(deficit) from insurance operations for the year		219,964	(55,486)
Total net deficit from insurance operations	17.8	(3,049,006)	(3,268,970)
Fair value reserve		(599,366)	(494,609)
Change in fair value during the year		(229,689)	(104,757)
		(829,055)	(599,366)
Total policyholders' fund at the end of year	17.8	(3,878,061)	(3,868,336)
Total liabilities and policyholders' fund		6,665,428	7,737,424

Notes to the consolidated financial statements (continued)

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

17.1 Investment and other income:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Investment income	10	2,235
Other income	148,418	28,966
	148,428	31,201

17.2 Investment deposits:

In accordance with Kuwaiti Law, an amount of KD822,000 (31 December 2021: 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 4.10% (31 December 2021: 1.45%).

17.3 Investments at fair value through other comprehensive income:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local unquoted securities	302,507	532,196
	302,507	532,196

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the Group 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 Group'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. 2022 KD	31 Dec. 2021 KD
Premiums receivable	869,745	946,942
Less: provision for doubtful debts	(393,959)	(353,959)
	475,786	592,983

In measuring the expected credit losses, the premiums receivable has 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.

On the above basis, the provision for expected credit losses for doubtful debts for premium receivables as at 31 December 2022 and 31 December 2021 was determined as follows:

Notes to the consolidated financial statements (continued)

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

17.4 Premiums receivable: (continued)

	Current	3-6 months	6-12 months	12-24 months	Above 24 months	Total
	KD	KD	KD	KD	KD	KD
31 December 2022:						
Gross carrying amount	185,678	172,698	140,575	300,596	70,198	869,745
Provision for doubtful debts	(1,857)	(27,632)	(35,144)	(259,128)	(70,198)	(393,959)
	183,821	145,066	105,431	41,468	-	475,786
31 December 2021:						
Gross carrying amount	185,476	193,642	66,413	109,981	391,430	946,942
Provision for doubtful debts	(2,782)	(5,809)	(5,479)	(61,919)	(277,970)	(353,959)
	182,694	187,833	60,934	48,062	113,460	592,983

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

	31 Dec. 2022	31 Dec. 2021
	KD	KD
Balance at 1 January	353,959	353,959
Charge during the year	40,000	-
Balance at 31 December	393,959	353,959

17.5 Accounts receivable and other assets:

	31 Dec. 2022	31 Dec. 2021
	KD	KD
Financial assets		
Reinsurance receivables	1,121,993	931,716
Less: provision for doubtful debts	(719,538)	(715,868)
	402,455	215,848
Cheques under collection	4,789	4,789
Accrued income	-	11,919
Other assets	28,461	16,263
Other actuarial reserve	45,000	-
Arab War Risk Insurance Syndicate	150,555	-
	631,260	248,819
Non-financial assets		
Prepaid expenses	24,970	23,571
	656,230	272,390

Notes to the consolidated financial statements (continued)

17 Policyholders' results by line of business and fund (continued)
17.5 Accounts receivable and other assets: (continued)

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.

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at 1 January	715,868	634,190
Charge during the year	3,670	81,678
Balance at 31 December	719,538	715,868

17.6 Reinsurance recoverable on outstanding claims

During the year 2019, the Group received an overall assessment of a government claim for damages incurred as a result of rainfall in Kuwait. The Group's share of this claim was calculated to be equivalent to KD3,228,000 (KD3,228,000 at 31 December 2021) 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. 2022 KD	31 Dec. 2021 KD
Insurance payables	386,040	1,198,174
Garages and agencies	427,848	428,290
Brokerage commissions	172,919	164,405
Provision for employees' end of service benefits	345,584	377,740
Provision for staff leave	202,769	192,309
Accrued expenses	114,334	88,582
Other actuarial reserve	45,000	-
Provision for legal case*	250,000	-
Other liabilities	717,515	491,230
	2,662,009	2,940,730

*** Provision for legal case**

During the year, the Court of Appeal has ruled against the Parent company, in legal case which is related to a prvious insurance claims and related estimated interest. Based on this decision, the Parent Company has recorded a legal claim of KD250,000 for both the compensation and related estimated interest. However, the Parent Company has filed and appealled in the court of cassation against the verdict. The case is still deliberated before the court of cassation as the court did not render a verdict up to date.

Notes to the consolidated financial statements (continued)

17.8 Movement in policyholders' fund:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at beginning of the year	(3,268,970)	(3,213,484)
Net surplus/ (deficit) from insurance operations for the year	219,964	(55,486)
	(3,049,006)	(3,268,970)
Fair value reserve at the beginning of the year	(599,366)	(494,609)
Change in fair value during the year	(229,689)	(104,757)
	(829,055)	(599,366)
Balance at the end of the year	(3,878,061)	(3,868,336)

In accordance with the Parent 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.

18 Related party balances and transactions

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

Notes to the consolidated financial statements (continued)

18 Related party balances and transactions (continued)

	31 Dec. 2022 KD	31 Dec. 2021 KD
SHAREHOLDERS		
Consolidated statement of financial position:		
Investment properties managed by related party (note 10)	2,791,939	3,668,304
Assets held for sale (note 11)	543,636	-
Due from Parent Company	613,773	613,773
Due from related parties (included within other assets)	72,863	247,649
Investments in related parties – classified under Investments at fair value through other comprehensive income (note 9)	5,043,700	4,799,028

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Consolidated statement of profit or loss:		
Other income – consultancy fee income *	60,000	-
Other income – waiver of consultancy fees paid**	50,000	-
Consultancy fees expenses	26,000	76,000
Investment fees	34,815	-
Gain on sale of investment at fair value through other comprehensive income (refer note 9)	15,163	-
Key management compensation:		
Salaries and other short-term benefits	58,002	54,912
Committees members remuneration	30,500	10,750
End of service benefits	3,950	3,736
	92,452	69,398

* During the year, the Parent company has provided insurance consultancy services for one of the related parties for KD 60,000.

** During the year, the Parent company has received an amount of KD 50,000 as refund of the consultancy fees paid in the previous years and the amount has been treated as other income in the profit or loss during the year.

Notes to the consolidated financial statements (continued)

18 Related party balances and transactions (continued)

	31 Dec. 2022 KD	31 Dec. 2021 KD
POLICYHOLDERS		
Statement of assets, liabilities and fund:		
Premiums receivable	131,112	18,621
Due to related parties- included in other liabilities	-	955,429
	Year ended 31 Dec. 2022 KD	**Year ended 31 Dec. 2021 KD**
Statement of policyholders' results:		
Premiums written	555,057	524,278
Rental expenses	71,575	71,575
Key management compensation:		
Salaries and other short-term benefits	174,067	164,736
End of service benefits	11,850	11,209
	185,917	175,945

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 Group's profit or loss.

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

Notes to the consolidated financial statements (continued)

19 Segmental analysis (continued)

	Investment KD	Takaful insurance KD	Unallocated KD	**Total** KD
Shareholders				
Year ended at 31 December 2022				
Segment income	54,429	-	110,000	164,429
(Profit)/ loss for the year	185,585	-	(40,015)	145,570
As at 31 December 2022				
Total assets	9,538,279	3,049,006	700,217	13,287,502
Total liabilities	-	(3,636,529)	(406,989)	(4,043,518)
Net assets	9,538,279	(587,523)	293,228	9,243,984

	Investment KD	Takaful insurance KD	Unallocated KD	**Total** 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/(liabilities)	9,382,082	(1,724,863)	406,979	8,064,198

Notes to the consolidated financial statements (continued)

19 Segmental analysis (continued)

	Investment KD	Takaful insurance KD	Unallocated KD	**Total KD**
Policyholders				
Year ended at 31 December 2022				
Total revenue	10	2,062,275	148,418	2,210,703
Net surplus/(deficit) for the year	10	1,353,289	(1,133,335)	219,964
As at 31 December 2022				
Total assets	1,124,507	5,340,980	199,941	6,665,428
Total liabilities	-	(8,913,218)	(1,630,271)	(10,543,489)
Net assets/(liabilities)	1,124,507	(3,572,238)	(1,430,330)	(3,878,061)

	Investment KD	Takaful insurance KD	Unallocated KD	**Total KD**
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)

20 Contingent liabilities

Shareholders

Subsequent to the reporting date, a decision has been issued by the First Department of Committee Resolution of Securities Disputes of the Kingdom of Saudi Arabia ("First Department"), against the board of directors (12 directors) of Weqaya Takaful Insurance and Reinsurance Company – SSC ("Weqaya"), an associate (refer note 8). Two of the directors of Weqaya were representing the Parent Company. The First Department's decision required all twelve of the directors of the associate to settle a total amount of SAR 19.5Mn (equivalent KD 1.7Mn) to the plaintiffs. However, the members of the Board of Directors of Weqaya intend to appeal against this decision. Though the board of directors of the parent company decided to compensate its representatives in Weqaya for any actual financial damages if and when incurred by the representatives, such actual financial damages cannot be ascertained at this time until after all legal proceedings are exhausted and actual fines are paid by the representatives. Further, the management of the Parent Company after consulting with their inhouse legal counsel believe that the above will not have a material impact on the Group's financial statements and accordingly no provision for any effects that may result has been made in the consolidated financial statements as of the reporting date.

Policyholders

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

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies

The Group's risk and financial management framework is to protect the Parent Company's shareholders and policyholders 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 Parent 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 and its subsequent amendments. On 16 March 2021, the Executive Regulations of Law No. 125 for the year 2019 were issued.

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 Group:

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.

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 Group'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 Group 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 Group 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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

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 Group has reinsurance cover to limit losses for any individual claim up to KD1,750,000 (31 December 2021: KD1,750,000).

Fire and accidents

For property insurance contracts the main risks are fire and business interruption. In recent years the Group 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 Group has reinsurance cover for such damage to limit losses for any individual claim up to KD13,000,000 (31 December 2021: 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 Group has primarily underwritten comprehensive polices for owner/drivers over 21 years of age. The Group has reinsurance cover to limit losses for any individual claim up to KD400,000 (31 December 2021: 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.

These risks do not vary significantly in relation to the location of the risk insured by the Group, 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 Group. The Group 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 Group.

Motor (continued)

The Group 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. 2022			31 Dec. 2021		
	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	235,085	(206,630)	28,455	200,048	(199,116)	932
General accidents	2,142,949	(1,837,999)	304,950	2,101,608	(1,846,767)	254,841
Motor vehicles	1,189,981	(550,176)	639,805	1,802,124	(812,016)	990,108
Fire	614,405	(582,136)	32,269	430,002	(411,086)	18,916
Total	4,182,420	(3,176,941)	1,005,479	4,533,782	(3,268,985)	1,264,797

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)
(1) Non-life insurance contracts (continued)

Key assumptions

The principal assumption underlying the estimates is the Group'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.

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

The main risks that the Group 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 Group as life business mainly written in Gulf countries.

The Group'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 Group 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 Group to pursue third parties for payment of some or all costs. The Group 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 Group.

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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)
(2) Life insurance contracts (continued)

	31 Dec. 2022			31 Dec. 2021		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Type of contract						
Credit life (credit insurance)	1	(1)	-	763	(496)	267
Other life insurance contract liabilities	715,438	(444,498)	270,940	783,593	(427,879)	355,714
Total life insurance contracts	715,439	(444,499)	270,940	784,356	(428,375)	355,981

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.

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 Group'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 Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group 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 Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group 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.

Notes to the consolidated financial statements (continued)

21.1 Credit risk (continued)

	31 Dec. 2022 KD	31 Dec. 2021 KD
SHAREHOLDERS		
Bank balances	**4,297**	6,077
Short term deposit	**439,000**	-
Qard Hassan to policyholders' fund	**3,049,006**	3,268,970
Due from Parent Company	**613,773**	613,773
Other assets	**82,148**	248,482
	4,188,224	4,137,302
POLICYHOLDERS		
Bank balances	**184,686**	49,640
Investment deposits	**822,000**	822,000
Premiums receivable	**475,786**	592,983
Accounts receivable and other assets – note 17.5	**656,230**	248,819
Amount due from shareholders	**587,523**	1,724,863
Reinsurance recoverable on outstanding claims	**3,621,440**	3,696,990
	6,347,665	7,135,295

Credit quality per class of financial assets

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

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)
21.1 Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2022 and 31 December 2021, 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 2022				
SHAREHOLDERS				
Bank balances	4,297	-	-	4,297
Short term deposit	439,000	-	-	439,000
Qard Hassan to policyholders' fund	-	3,049,006	-	3,049,006
Due from Parent Company	-	613,773	-	613,773
Other assets	-	82,148	-	82,148
	443,297	3,744,927	-	4,188,224
POLICYHOLDERS				
Bank balances	184,686	-	-	184,686
Investment deposits	-	822,000	-	822,000
Premiums receivable	231,907	243,879	-	475,786
Accounts receivable and other assets	402,455	253,775	-	656,230
Amount due from shareholders	-	587,523	-	587,523
Reinsurance recoverable on outstanding claims	-	3,621,440	-	3,621,440
	819,048	5,528,617	-	6,347,665
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

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)
21.2 Liquidity risk

Liquidity risk is the risk that the Group 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.

Maturity profile of financial assets and financial liabilities at 31 December 2022 and 31 December 2021:

	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 2022						
SHAREHOLDERS						
Assets						
Bank balances	4,297	-	-	4,297	-	4,297
Term Deposit	-	-	439,000	439,000	-	439,000
Investments at fair value through other comprehensive income	-	-	-	-	5,043,702	5,043,702
Qard Hassan to policyholders' fund	-	-	-	-	3,049,006	3,049,006
Due from Parent Company	-	-	-	-	613,773	613,773
Other assets	-	22,148	60,000	82,148	-	82,148
	4,297	22,148	499,000	525,445	8,706,481	9,231,926
Liabilities						
Policyholders' deficit reserve	-	-	-	-	3,049,006	3,049,006
Amount due to policyholders	-	-	-	-	587,523	587,523
Other liabilities	48,726	123,236	216,585	388,547	18,442	406,989
	48,726	123,236	216,585	388,547	3,654,971	4,043,518
Net exposure	(44,429)	(101,088)	282,415	136,898	5,051,510	5,188,408
31 December 2022						
POLICYHOLDERS						
Assets						
Cash and bank balances	184,686	-	-	184,686	-	184,686
Investment deposits	-	-	-	-	822,000	822,000
Investments at fair value through other comprehensive income	-	-	-	-	302,507	302,507
Premiums receivable	231,907	126,469	117,410	475,786	-	475,786
Accounts receivable and other assets	60,506	110,807	100,613	271,926	359,335	631,261
Amount due from shareholders	-	-	-	-	587,523	587,523
Reinsurance recoverable on outstanding claims	362,144	543,216	905,360	1,810,720	1,810,720	3,621,440
	839,243	780,492	1,123,383	2,743,118	3,882,085	6,625,203
Liabilities						
Insurance balance payable	244,977	172,926	158,515	576,418	864,629	1,441,047
Unearned premiums	83,490	111,318	139,149	333,957	222,637	556,594
Outstanding claims reserve	489,786	734,679	1,224,464	2,448,929	2,448,930	4,897,859
Life mathematical reserve	-	-	-	-	16,592	16,592
Reserve retained on reinsurance business	-	-	-	-	211,000	211,000
IBNR reserve	-	-	-	-	758,388	758,388
Other liabilities	347,498	153,093	1,227,100	1,727,691	934,318	2,662,009
	1,165,751	1,172,016	2,749,228	5,086,995	5,456,494	10,543,489
Net exposure	(326,508)	(391,524)	(1,625,845)	(2,343,877)	(1,574,409)	(3,918,286)

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)
21.2 Liquidity risk (continued)

	1–3 month	3-6 months	6-12 months	Total Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	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
31 December 2021						
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 consolidated 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 Group 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 Group's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US Dollar, Sterling Pound and Saudi Riyal.

The Group'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.

However, as at the financial position date the Group does not have any significant exposure to foreign currency denominated monetary assets or monetary liabilities and therefore, the Group is not exposed to any significant foreign currency risks

(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 Group is exposed to profit rate risk principally on its profit bearing deposits which carry profit rate at commercial rates

Consequently, a reasonable possible change in profit rates would not have a significant impact on the Group's consolidated financial statements.

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

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 Group has no financial assets which exposes to equity price risk.

Notes to the consolidated financial statements (continued)

22 Fair value measurement

22.1 Fair value measurement of financial instruments

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Shareholders' assets and liabilities		
Financial assets:		
At amortised cost:		
- Bank balances	4,297	6,077
- Short term deposit	439,000	-
- Qard Hassan to policyholders' fund	3,049,006	3,268,970
- Due from Parent Company	613,773	613,773
- Other assets	82,148	248,482
Financial assets at fair value:		
Investments at fair value through other comprehensive income	5,043,702	4,799,030
	9,231,926	8,936,332
Financial liabilities:		
Financial liabilities at amortised cost:		
Policy holders defict reserve	3,049,006	3,268,970
Amount due to policyholders'	587,523	1,724,863
Other liabilities	406,989	266,606
	4,043,518	5,260,439
Policyholders' assets and liabilities		
Financial assets:		
At amortised cost:		
Cash and bank balances	184,686	50,812
Investment deposits	822,000	822,000
Premiums receivable	475,786	592,983
Accounts receivable and other assets – note 17.5	656,230	248,819
Amount due from shareholders	587,523	1,724,863
Reinsurance recoverable on outstanding claims	3,621,440	3,696,990
Financial assets at fair value:		
Investments at fair value through other comprehensive income	302,507	532,196
	6,650,172	7,668,663
Financial liabilities:		
Financial liabilities at amortised cost:		
Reinsurance balances payable	1,441,047	1,733,180
Unearned premiums	556,594	726,880
Other liabilities	2,662,009	2,940,730
	4,659,650	5,400,790

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 consolidated 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 Group measures financial instruments at fair value and measurement details are disclosed below. In the opinion of the Group'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 2022

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through other comprehensive income				
Foreign unquoted securities	-	-	5,043,702	5,043,702
	-	-	5,043,702	5,043,702
POLICYHOLDERS				
Investments at fair value through other comprehensive income				
Local unquoted securities	-	-	302,507	302,507
	-	-	302,507	302,507

Notes to the consolidated financial statements (continued)

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

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

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 Group'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. 2022 KD	31 Dec. 2021 KD	31 Dec. 2022 KD	31 Dec. 2021 KD
Opening balance	**4,799,030**	2	532,196	636,953
Additions during the year	**-**	4,799,028	-	-
Disposals during the year	**(794,639)**	-	-	-
Change in fair value	**1,039,311**	-	(229,689)	(104,757)
Closing balance	**5,043,702**	4,799,030	302,507	532,196

Notes to the consolidated financial statements (continued)

22 Fair value measurement (continued)

22.3 Fair value hierarchy (continued)

Level 3 fair value measurements (continued)

The Group'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 KD	Level 2 KD	Level 3 KD	Total KD
Shareholders				
31 December 2022				
Investment properties				
- Buildings in Dubai	-	-	2,791,939	2,791,939
	-	-	2,791,939	2,791,939
Shareholders				
31 December 2021				
Investment properties				
- Buildings in Dubai	-	-	3,668,304	3,668,304
	-	-	3,668,304	3,668,304

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 consolidated 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 2022

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in Dubai	Comparable market approach	Price (per sq. ft.)	**KD94– KD117**	Higher the price, higher the fair value

31 December 2021

Description	Valuation technique	Significant unobservable inputs	Range of unob servable inputs	Relationship of unobservable inputs to fair value
Investment properties in Dubai	Comparable market approach	Price (per sq. ft.)	**KD65 - KD146**	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. 2022 KD	31 Dec. 2021 KD
Additions during the year	3,668304	3,611,340
Change in fair value during the year	186,196	182,888
Transferred to assets held for sale (note 11)	(856,638)	-
Disposal during the year	(205,923)	(125,924)
	2,791,939	3,668,304

23 Capital management objectives

The Group's capital management objectives are to ensure the Group'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 Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Profit for the year	140,475	64,414
Total equity	9,243,984	8,064,198
Return on equity	1.5%	0.8%