الأولى تكافل
FIRST TAKAFUL

ANNUAL REPORT 2023

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الأولـــــى تـكـافـــــل
FIRST TAKAFUL

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Souq Alsafat Building, First Floor - Office No. 4
P.O.Box 5713, Safat- 13058, Kuwait

For All That Matters • لكل ما هو مهم

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His Highness the Amir Of Kuwait
Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah

About Us

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).

TAKAFUL

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

VISION

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

MISSION

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

OUR VALUES

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

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

OUR STRATEGY

First Takaful Strategy is aiming at achieving the highest customer satisfaction standards throughout providing the best and unique Takaful services, this strategy helped First Takaful to acquire wide customer's segment in both corporate and individual.
"For All That Matters" is the new slogan that First Takaful chose to promise its customers with innovated services that satisfy their needs considering the risk element they might face.

OUR OBJECTIVES

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

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

Chairman of the Board of Directors' speech

Praise be to Allah, Lord of the Worlds, and may blessings and peace be upon the Master of Messengers and upon all his family and companions.

Dear shareholders,

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

I am pleased to extend to all of you my sincere thanks and gratitude for accepting our invitation to attend the company's ordinary general assembly meeting for the financial year ending on December 31, 2023. I and the fellow members of the Board of Directors are also honored to place in your hands the annual report on the company's business results, achievements, financial statements, governance report, audit committee report, and remuneration report. And the advantages, as well as the report of the Fatwa and Sharia Supervision Board.

My fellow shareholders:

In the year 2023, the entire world has been affected by many global events, some of which were joyful and positive, and some of which were sad and negative, and on top of these events is what is happening to our brothers in occupied Palestine, especially our brothers in Gaza, of genocide, displacement and starvation, which in turn was reflected in the entire world in various ways. fields and at all political, economic, social and humanitarian levels, and the unrest that followed these events in several regional countries ravaged the region and had a negative impact on their economies. Despite all of this, "First Takaful" maintained during the year 2023 its integrated strategy of cleaning the insurance portfolios and avoiding negative competition and Enhancing capital reserves and technical allocations for the shareholders' and policyholders' portfolios with the aim of enhancing the company's financial solvency and striving to select the best insurance subscriptions with the aim of raising the achieving a loss per share of 2.17 fils in the year 2023 compared to an earnings per share of 1.32 fils in 2022, and shareholders' equity for the current year amounted to 9,684,339 KD. Compared to KD 9,243,984 last year, an increase of 4.67%, the total assets of shareholders in the current year amounted to KD 12,748,701. For 12,832,434 KD. In the previous year, a decrease of 0.65%.

It is worth noting that, as is usual in "First Takaful" - and praise be to God - no penalties or violations were imposed by the regulatory authorities on the company during the year 2023.

The remuneration of the members of the Board of Directors, the remuneration for attending the committees emanating from it during the year 2023, and the bonuses, benefits, and monthly salaries obtained by the executive management are attached to the report of the Nominations and Remuneration Committee in the annual report for your information.

Policyholder portfolio results:

Competition is still intense in the local insurance market, and "First Takaful" has been able, thank God, to maintain its position in the Kuwaiti market. The company has also continued its approach of increasing carefully selected subscriptions and strengthening its insurance portfolio to spare the company from any future losses in light of the intense competition between Insurance companies, and the company sets its sights on continually developing modern technology systems to serve the company's clients and shareholders. All reinsurance agreements were also renewed during the year.

Subscribed subscriptions for the fiscal year 2023 amounted to KD 6,172,715. Compared to what the company achieved in the fiscal year 2022, which amounted to KWD 3,339,721. An increase of 2,832,994 KD. By 84.8%, this increase in the value of subscriptions is attributed to the company's efforts to develop its policies towards acquiring the largest possible amount of participation in insurance of the oil sectors.

The policyholders' portfolio for the year 2023 recorded an insurance surplus of KD 197,807. Compared to an insurance surplus of $1,341,876 company's efficiency and its ability to compete in the market and providing distinguished service to its customers.

Corporate governance and social responsibility

"First Takaful" was keen to adhere to its social responsibility by raising insurance awareness among individuals and the private sector in the State of Kuwait. Accordingly, the company's management has issued thirty-two periodic bulletins until 2023 to increase insurance awareness in the insurance market in Kuwait.

"First Takaful" set its sights on commitment to its social responsibility, as the company took the initiative to contribute and support many national health, charitable and educational activities. The company, in appreciation and recognition of the elderly's gratitude, organized a group breakfast for the Farah Home for the Elderly by participating in the Arab Orphan Day celebration. It also Organizing a Qarqi'an party for the children of the Children's Home in the social care homes complex.

"First Takaful" continued its leadership through its outstanding performance during the previous years, as well as through its implementation 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 application of the tax compliance law, as well as Through its full commitment to the provisions of Islamic Sharia in its dealings in insurance, reinsurance and investments.

Stakeholder results:

In 2023, First Takaful achieved a loss of KD 230,790. For a profit of 140,475 KD. For the year 2022, a decrease of 264.29% as a result of an increase in legal expenses related to the cases of Weqaya Insurance and Reinsurance Company - Saudi Arabia, and a decrease in the profit of evaluating investment properties due to exiting from these properties according to the recommendations of the regulatory authorities, achieved in 2022, a decrease of 85.2%, this decrease in profits is due to the re-evaluation and reformulation of the financial statements for the year 2022 according to the International Financial Reporting Standard IFRS 17 “Insurance Contracts”, which in turn led to an increase in profits after processing and reformulating (Net deficit for policyholders) and some other items in the financial statements for the year 2022.

My fellow shareholders:

As always, First Takaful is still at its top priority, developing human resources and investing in a trained and qualified human element, which is the basic foundation for maintaining the strength of the company and the soundness of its structure. The company also aspires to cover all types of insurance business and create the second and third ranks of the company, which will qualify us to occupy a leadership position in the market. Local and regional insurance. The company will continue to make further efforts aimed at achieving positive results as well as enhancing its market share in the insurance sector.

Insurance oversight

After the establishment of the Insurance Regulatory Unit to supervise and control the insurance sector in the State of Kuwait, and especially after the adoption of Insurance Law No. 125 of 2019 and the issuance of the executive regulations of Law No. 125 of 2019 regarding insurance regulation, this has led to a noticeable improvement in the performance of operating companies and reducing negative competition between companies, but there are still many efforts that must be made by the unit to improve the Kuwaiti insurance market to keep pace with those like it in other neighboring countries and global insurance markets, especially with regard to regulating the market in terms of prices, reviewing the licenses granted to some insurance companies, and obliging companies to a certain level of service to their customers in order to improve quality. And the general appearance of the local insurance market.

Thanks and appreciation:

In conclusion, we ask God Almighty to help us achieve what we set out for, for the good of our beloved country, the company, and our honorable shareholders, under the leadership and directives of His Highness the Emir of the country, his trustworthy Crown Prince, and His Highness the Prime Minister, may God protect and protect them. We also extend our thanks to the shareholders and the members of the Oversight Board. Sharia law, the executive management, the company’s employees, the Insurance Regulatory Unit, the Ministry of Trade and Industry, the Capital Markets Authority, the Kuwait Stock Exchange Company, and the company’s clients. We also extend our thanks to the Kuwait Insurance Federation and those in charge of it and their effective role in increasing insurance awareness and organizing training programs and workshops. We also record our thanks to insurance reinsurers and brokers and all other competent authorities. We also pray to God Almighty to guide us to further progress and prosperity.

Peace, mercy and blessings of Allah ,,,

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 , Independent Member

Bandar Suleiman Al-Jarallah
Board Member - Non-Executive Member , Independent 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 31/12/2023 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. Anwar Shuaib Abdul Salam
Chairman of Fatwa and
Shari 'a Supervisory Board

Sheikh Dr.Mohammed Abdul Razzaq Al-Tabtabai
Vice Chairman of Fatwa and
Shari 'a Supervisory Board

Sheikh Dr. Essam El Ghareeb
Member of Fatwa and
Shari 'a Supervisory Board

Shari'a Supervisory Board:

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

Sheikh Dr. Mohammed Abdul Razzaq Al-Tabtabai
Vice Chairman of Fatwa and Shari'a Supervisory Board

Dr. Essam El Ghareeb
Member of Fatwa and Shari'a Supervisory Board

Undertaking of Board of Directors on Financial Reports

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

Official Stamp

Kuwait: 26/03/2024

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	

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.

First Takaful Insurance Co.
الشركة الأولى للتأمين التكافلي

Official Stamp

Kuwait: 26/03/2024

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

Signature

V.P Finance & Administraion:
Malik Salim Oraikat

Signature

GOVERNANCE

Governance Committee Members:

Abdullah Abdul Razzaq Al Asfour
Head of the Committee

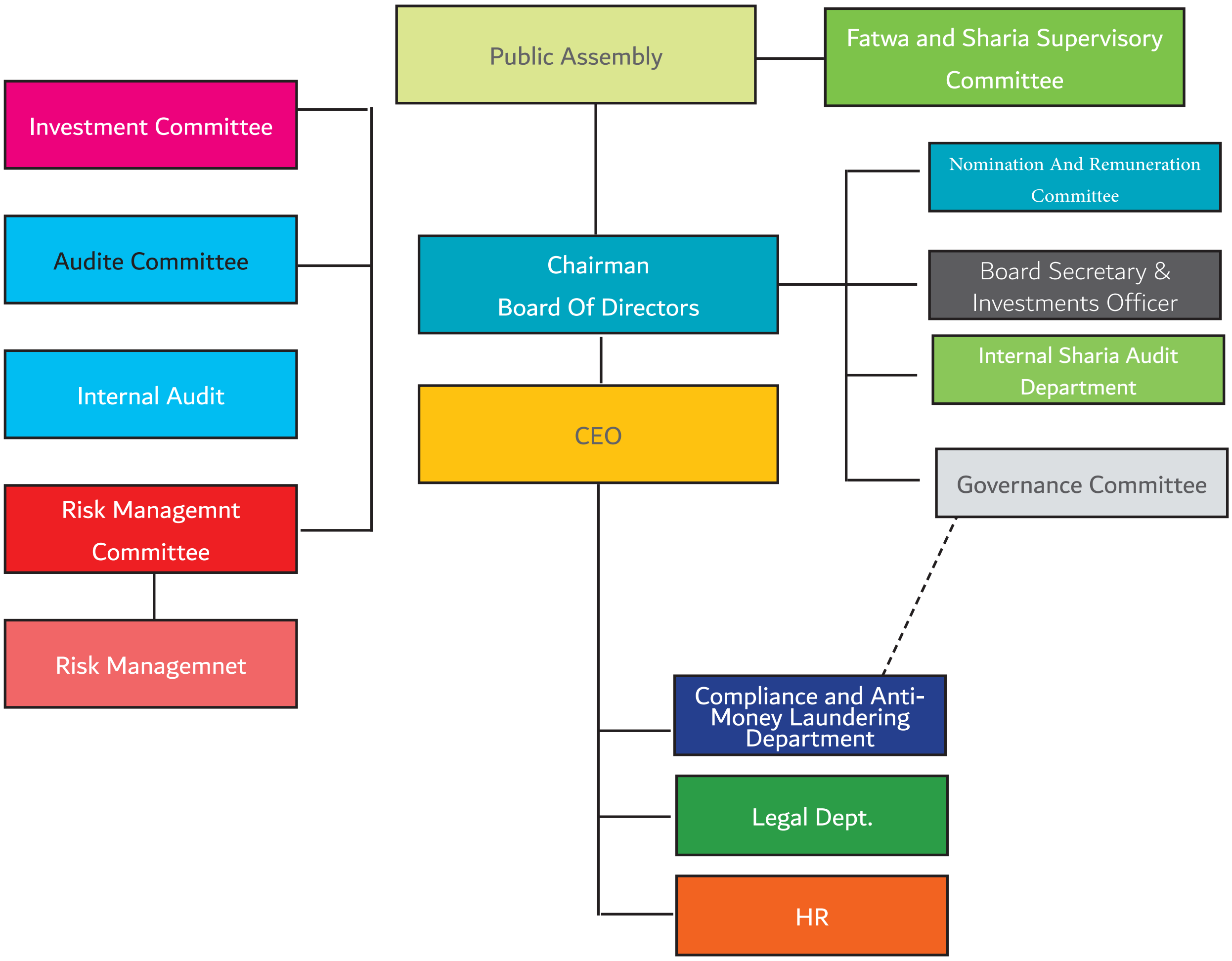
Hussain Ali Al-Attal
Committee Member

Osama Abdul Latif Al Abdul Jalil
Committee Member

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.

Governance Framework:



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 (2022-2025), 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 / appoint-ment date
Abdullah Abdul Razzaq Al Asfour	Chairman of the Board - Non-Executive Member	-Bachelor of Accounting - Experience more than 30 years	April 28, 2022
Hussain 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 Oaikat	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 First Takaful Insurance Company›s commitment to organize periodic meetings, apply the highest standards of corporate governance and meet the requirements of the laws and instructions of the regulatory authorities Ministry of Commerce and Industry - Companies Law and Capital Markets Authority - Corporate Governance, that the number of Board of Directors meetings should not be less than (6) meetings per year, and that the Board of Directors should hold at least one meeting per quarter.

Summary of First Takaful›s board meetings during 2023:

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. (7/2022) Dated 08/11/202	Meeting no. (7/2022) Dated 08/11/202	Meeting no. (8/2022) Dated 24/12/2022	Number of Meeting	Attendance Percentage
Abdullah Al Asfour Board Chairman	√	√	√	√	√	√	√	√	√	√	10	100%
Hussain Al-Attal Member of Board	√	√	√	√	√	√	√	√	√	√	10	100%
Osama Al Abdul Jalil Independent Member	√	√	X	√	X	X	X	X	X	X	3	30%
Bandar Suleiman Al-Jarallah Independent Member	√	√	√	√	√	√	√	√	√	√	10	100%
Saleh Al-Tnaib Member of Board	√	√	√	√	×	×	√	√	√	√	8	80%
Rami Habli Member of Board	√	√	√	√	√	√	√	√	√	√	10	100%
Bader Alhajeri Member of Board	√	√	√	√	√	√	√	√	√	√	10	100%

" √ " Attended the board meeting.
" X " Did not attend the board meeting

Summary of the most important achievements and decisions taken by the Board of Directors of the company during the year 2023:

The Board of Directors of First Takaful has been keen to follow up on the implementation of strategic plans and desired goals, and works on permanent communication with the executive management in order to achieve these goals and plans, and the Board of Directors has focused on applying good governance standards to be the company's way of working, and during 2023, several decisions and achievements were issued, the most important of which are the following:

- The recommendation of the Investment Committee regarding the sale of real estate assets owned by the First Takaful Insurance Company in the United Arab Emirates was approved as follows:

Location: Palm Jumeirah Pent House Plot No.1114 Propriety No. PH07
Property type: Pent House Residential AL Sarood - B13
Project Name: Shoreline
Property No: PH07
Provided that the sale price is not less than AED 6,250,000

- The draft gap analysis report issued by PricewaterhouseCoopers (PwC) on the application of IFRS 17 "Insurance Contracts" was approved and the CEO was tasked to do the necessary work towards the transition to the standard.
- The report of the Audit Committee on the draft financial statements of the company for the fiscal year ending on 12/31/2022 was discussed and approved.
- The company's draft financial statements for the fiscal year ending 12/31/2022 were approved after adopting the recommendations of the Audit Committee.
- The coverage of the net policyholders' surplus from insurance operations for the fiscal year ending on 31/12/2022 was discussed in line with the company's Articles of Association. The Board of Directors agreed to cover the net insurance surplus for policyholders resulting from insurance activities for the year 2022 in the amount of KD 219,964 to the shareholders' account "Hassan Loan". The remainder of the Hassan Loan granted by the shareholders will be repaid by the surplus generated from insurance activities in future years.
- The agenda items of the Ordinary General Assembly for the fiscal year ending on 12/31/2022 were discussed and approved.
- The agenda items of the Extraordinary General Assembly were discussed regarding the addition of a clause in the fourth article of the Articles of Association related to the company's purposes by investing a percentage of the company's financial surpluses through real estate investment and ownership inside and outside the State of Kuwait and was approved.
- The executive management's undertaking on the financial reports for the financial year ending on 12/31/2022 was approved.
- The Board of Directors' undertaking on the financial reports for the financial year ending on 12/31/2022 was approved.
- Reviewed and approved the report issued by the Audit Committee on "Assessment of the adequacy of the internal control systems applied within the company as well as the opinion and recommendations of the Audit Committee in this regard" as of December 31, 2022 and recommended the Board of Directors to approve the report.
- Reviewed and approved the report on the level of independence and objectivity of the internal audit activity as of December 31, 2022 and the recommendation of the Board of Directors to approve the report.
- The report of the evaluation and review of the internal control systems of the First Takaful Insurance Company for the fiscal year ending on December 31, 2022 prepared by an external audit firm and sent to the Capital Markets Authority - State of Kuwait was approved by the Board of Directors.
- The recommendation of the Audit Committee was approved to reappoint Messrs. Abdul Latif Al-Aiban - Grant Thornton - Al-Qatami, Al-Aiban & Partners as the external auditor of the company to carry out the external audit work for the fiscal year ending on December 31, 2023, with the proposal to fix the professional fees as agreed, and we confirm the independence of the auditor,

and the letter of appointment of the auditor was reviewed and that he be among those registered in the special register with the Capital Markets Authority, taking into account the mandatory change period.

- The report issued by an independent audit firm (Grant Thornton Kuwait) on the evaluation and review of internal control systems - "Internal Control Report" was approved, and a copy of the report was provided to the Capital Markets Authority - State of Kuwait.
- Resolution No. (24) of 2023 was discussed regarding the issuance of a decision to standardize the liability insurance policy arising from traffic accidents (compulsory insurance for vehicles), where Mr. Hussain Ali Al-Attal, Vice Chairman and Chief Executive Officer of the Company, presented a brief summary of the impact of the policy.
- Mr. Hussain Ali Al-Attal, Vice Chairman of the Board of Directors and Chief Executive Officer of the Company, gave a brief overview of the impact of applying the above resolution on the company, which is related to the unified policy of insuring vehicles from civil liability arising from traffic accidents (compulsory traffic insurance) - (Bimah against third parties).
- The report of the Audit Committee on the draft interim financial statements of the Company for the financial period ending on 31/03/2023 was discussed and approved and the CEO briefed the members regarding the postponement of the implementation of IFRS 17 for the first quarter of 2023.
- The Company's draft interim financial statements for the financial period ending March 31, 2023 were approved after adopting the recommendations of the Audit Committee.
- The coverage of the net policyholders' surplus/(deficit) from insurance operations for the financial period ending 31/03/2023 was discussed in line with the Company's Articles of Association. The Board of Directors agreed to cover the net policyholders' surplus resulting from insurance activities for the financial period ending on March 31, 2023 in the amount of KD 997,183 to the shareholders' account "Hassan Loan". The Hassan Loan granted by the shareholders will be repaid by the surplus generated from insurance activities in future years.
- A summary was provided to the members on the latest developments in the legal cases of Weqaya Insurance and Takaful Reinsurance Company in the Kingdom of Saudi Arabia.
- Discussed and approved the contract for the provision of internal audit services by Agile Management Consultants and canceled the previous contract.
- The internal audit report of the Human Resources Department was discussed and approved.
- The internal audit report of the Forensic Audit Department was discussed and approved.
- Discussed and approved the new risk management services contract submitted by Procapita Management Consultants, and canceled the previous contract.
- The annual risk management report for the period December 31, 2022 was discussed and approved.
- The annual internal forensic audit report for the period December 31, 2022 was discussed and approved.
- The offer submitted by a related party to purchase one of the real estate investments in the First Takaful Insurance Company (7.85% - Kingdom of Shiba Heritage Place FZE) in the United Arab Emirates (Yotel The Palm Hotel under construction), estimated at KD 2,361,570, was discussed and approved in principle, and the Board Committees (Investment Committee + Risk Committee) were authorized to prepare the necessary reports and conduct due diligence studies by the Board Committees.
- Mr. Hussain Ali Al-Attal (CEO, Vice Chairman and member of the Investment Committee) was authorized to undertake contracting procedures for the valuation of this stake by an investment advisor in accordance with Article 7-7 of Book XV (Corporate Governance) of the Executive Regulations of the Capital Markets Authority, provided that it is with a company licensed to carry out the activity of an investment advisor whose purposes include the preparation of asset valuation studies and the preparation of an information memorandum.
- Discussed the reports submitted by the Board Committees discussing the offer submitted by a related party to purchase one of the real estate investments in First Takaful Insurance Company (7.85% - Kingdom of Shiba Heritage Place FZE) in the United Arab Emirates (Yotel The Palm Hotel

under construction) for an estimated amount of KD 2,361,570.

- The recommendations of the Investment Committee regarding the report of the licensed investment advisor for the valuation of the First Takaful Insurance Company's stake in a real estate company were discussed and approved.
- The recommendations of the Risk Committee were discussed regarding the risk management review of the related party transactions for the First Takaful Insurance Company's exit from investing in royal shares, and were approved.
- The report of the Audit Committee regarding the reissuance of the Company's interim financial statements for the financial period ending on March 31, 2023 was discussed and approved after the implementation of IFRS 17 for the first quarter of 2023.
- The draft reissued interim financial statements for the financial period ended 31/03/2023 after the application of IFRS 17 for the first quarter of 2023 were approved after adopting the recommendations of the Audit Committee.
- The report of the Audit Committee on the draft interim financial statements of the company for the financial period ending on 30/06/2023 was discussed and approved.
- The draft interim financial statements of the company for the financial period ending on 30/06/2023 were approved after adopting the recommendations of the Audit Committee.
- The coverage of the net policyholders' surplus/(deficit) from insurance operations for the financial period ending on 30/06/2023 was discussed in line with the company's Articles of Association. The Board of Directors agreed to cover the net policyholders' surplus resulting from insurance activities for the financial period ending on 30/06/2023 in the amount of KD 169,150 to the shareholders' account "Hassan Loan". The Hassan Loan granted by the shareholders will be repaid by the surplus generated from insurance activities in future years.
- The recommendation of the Audit Committee to amend the professional fees of Mr. Abdul Latif Al-Aiban - Grant Thornton - Al-Qatami, Al-Aiban & Partners - the Company's external auditor for the external audit work for the financial year ending December 31, 2023 to become annual professional fees of KD 13,000 instead of KD 10,000 due to increased workloads and hours especially in relation to IFRS 17 - Insurance Contracts was discussed.
- The members were briefed on the offer submitted by Kuwait International Investment Company to purchase 2.25% of First Takaful Insurance Company's shareholding in Strive Services Group (the main activity of the group is to provide facilities management and property security services) For an amount of AED 3,636,000, where Al Awla Takaful holds a 19.9% stake in the equity of Strive Group.
- Under the item of New Business, the Vice Chairman and CEO of the Company reported that on 23/08/2023, the amount of the court judgment related to the class action lawsuit in Case No. 233/1443 - Resolution 4222/L/D1/2023 for the year 1444 AH for Mr. Hussain Ali Al-Attal and Mr. Khaled Fadl Al-Aswad, representatives of the First Takaful Insurance Company and its delegates in Weqaya Takaful Insurance and Reinsurance Company - S.A.S. (Weqaya) was paid on 23/08/2023. ("Waqaya") in the Kingdom of Saudi Arabia for an amount of SAR 3,255,468/24 pursuant to the Board of Directors' decision in its meeting No. 02/2023 held on 03/20/2023.
- The report of the Audit Committee regarding the reissue of the company's interim financial statements for the financial period ending on 30/09/2023 was discussed and approved.
- The draft reissued interim financial statements for the financial period ending on 30/09/2023 were approved after adopting the recommendations of the Audit Committee.
- The coverage of the net policyholders' surplus/(deficit) from insurance operations for the financial period ending on 30/09/2023 was discussed in line with the Company's Articles of Association. The Board of Directors agreed to cover the net policyholders' surplus resulting from insurance activities for the financial period ending on 30/09/2023 in the amount of KD 283,202 to the shareholders' account "Hassan Loan". The Hassan Loan granted by the shareholders will be repaid by the surplus generated from insurance activities in future years.
- The offer submitted by a related party to purchase one of the real estate investments in the First Takaful Insurance Company in the United Arab Emirates, estimated at KD 2,026,710, was discussed and approved in principle, and the Board Committees (Investment Committee + Risk

Committee) were authorized to prepare the necessary reports and conduct due diligence studies by the Board Committees.

- Mr. Hussain Ali Al-Attal (CEO, Vice Chairman of the Board of Directors and member of the Investment Committee) was authorized to undertake contracting procedures for the evaluation of this investment by an investment consultant in accordance with Article 7-7 of Book XV (Corporate Governance) of the Executive Regulations of the Capital Markets Authority, provided that it is with a company licensed to carry out the activity of an investment consultant whose purposes include the preparation of asset valuation studies and the preparation of an information memorandum.
- The report of the Internal Forensic Audit Department for the year 2023 was discussed and approved.
- The report of the Compliance and Compliance Department and the Internal Forensic Audit Department - the extent of the company's compliance with the instructions of the Insurance Regulatory Unit was discussed and approved.
- The company's organizational structure and the financial and administrative authority matrix were approved.
- Reviewed and approved a report on the level of independence and objectivity of the internal audit activity.
- Reviewed and approved the internal audit performance evaluation report.
- Reviewed and approved the performance evaluation report of the risk management activity.
- Reviewed and approved the investment policy and the charter of the company's updated investment committee.
- Reviewed and approved the updated AML/CFT policies and procedures for the company.
- The minutes of the Board of Directors Meeting No. (09/2023) held on November 14, 2023 were approved.
- Discussed the reports submitted by the Board Committees discussing the offer submitted by a related party - EVA Hotels & Resorts - Dubai to purchase one of the real estate investments in the First Takaful Insurance Company in the United Arab Emirates, which is estimated at KD 2,026,710
- The recommendations of the Investment Committee regarding the sale of a residential property - Balqees Residence 1 Palm Jumeirah, Property No. 1101, 11th Floor to a related party - EVA Hotels & Resorts - Dubai for AED 28,000,000 over four years was discussed and approved.
- The recommendations of the Risk Committee regarding the sale of a residential property - Balqees Residence 1 Palm Jumeirah Property No. 1101 Floor 11 to a related party - EVA Hotels & Resorts - Dubai for AED 28,000,000 over four years was discussed and approved.
- The Board of Directors reviewed the report submitted by Mr. Al-Shall Consulting - Investment Advisor registered with the Capital Markets Authority - State of Kuwait.
- Based on the above and on the recommendation of the Risk Management Committee and the Investment Committee, the Board of Directors approved the recommendation of the Board Committees to sell the residential property - Balqees Residence 1 Palm Jumeirah, Property No. 1101, 11th Floor to a related party - EVA Hotels & Resorts - Dubai for an amount of AED 28,000,000.00, equivalent to KD 2,342,282.00
- The estimated budget for the fiscal year 2024 and the work plan for the coming years 2025 - 2028 were discussed and the estimated budget for the fiscal year 2024 and the work plan for the coming years 2025 - 2028 were approved by the members present and the Board of Directors wished the company success in achieving its goals for the year 2024.
- A workshop was presented to the Board members and executives of the company (Introductory program - Decision No. (58) of 2023 regarding the issuance of the Insurance Company Governance Rules issued by the Insurance Regulatory Unit).
- The update of all policies, procedures and charters related to the company, the charter of the committees and the job description of the board members and the secretary was approved.
- The minutes of the Risk Committee Meeting No. 05/2023 were approved.
- The minutes of the Investment Committee Meeting No. 04/2023 were approved.
- Based on the email received from the Insurance Regulatory Unit dated December 25, 2023, in

which they indicated the need to develop an approved time plan to convert the company's shareholding in real estate from related party ownership to free ownership of the company, the recommendation of the Investment Committee was approved to exit the property No. GM3101, which was sold for an amount of AED 1, 750,000 AED. The recommendation of the Investment Committee to seek a buyer for the sale of property No. GM3104 was also discussed, and it was approved to find a buyer for the sale of the property, provided that the sale value is not less than 1,250,000 AED, and the Chairman of the Investment Committee, Vice Chairman and CEO were authorized to take the necessary steps to sell this property at the earliest possible opportunity.

Recording, coordinating and keeping the minutes of the Board of Directors' meetings / Secretary's work:

The Secretary of the Board of Directors has prepared a special record of the minutes of the meetings of the Board of Directors of First Takaful Insurance Company, and the record contains the following information: -

- The agenda of each meeting.
- The date and location of the meeting.
- The date and time of the start and end of the meeting.

The secretary shall provide the board members with the agenda, along with the related documents and documents, three working days in advance to allow the members to study the agenda items.
The minutes of board meetings are signed by all board members as well as the secretary, and the secretary has an important role by securing, communicating and distributing the required information and documents as well as coordinating among board members, stakeholders and other entities associated with the company.

The second rule - proper delineation of duties and responsibilities:

"A summary of how to implement requirements that allow board members to obtain information and data in an accurate and timely manner"

The Company is committed to building a balanced structure for the Board of Directors through the application of good governance principles, as the Board members are provided with the agenda of the meeting supported by all specific topics and supported by the necessary documents and information through the various means of communication used in the company and this procedure is carried out by the Secretary of the Board of Directors, at least three working days before any Board meeting, with the exception of emergency meetings, so that the members can be informed and study the topics.

Members are able to read and study the topics well before the meeting, which is beneficial to the company's operations and take appropriate decisions due to the effectiveness of the Board of Directors meetings.

Board of Directors/Executive Management Policy:

First Takaful Insurance Company is keen to provide clear policies and procedures that define the tasks, responsibilities and duties of both the Board of Directors and the Executive Management, and to ensure that the organizational structure of the company is transparent and objective to enable decision-making and achieve the principles of governance.
The First Takaful Insurance Company also updates these policies and procedures as well as the financial and management authority matrix and the organizational structure periodically, to keep up with any change or update.

Board of Directors Policy:

First Takaful's Board of Directors' charter stipulates that the Board directly supervises and monitors business management to protect stakeholders' interests in terms of good governance principles, maintaining internal, financial and accounting control, following up reports, and complying with laws and instructions from regulatory authorities and the company's articles of association, bylaws and internal policies.

Policies and procedures governing the work of the executive management:

First Takaful has prepared and applied a manual of policies and procedures for all departments of the company, in addition to the policies related to the requirements of the Executive Regulations - Book XV - Corporate Governance issued by the Capital Markets Authority - State of Kuwait, as well as policies related to the requirements of other regulatory authorities, and each manual contains the tasks performed by the relevant department and the obligations imposed on them in detail, which work on the following:

- Providing efficiency and effectiveness within the company's activities.
- Full segregation of powers between functions.

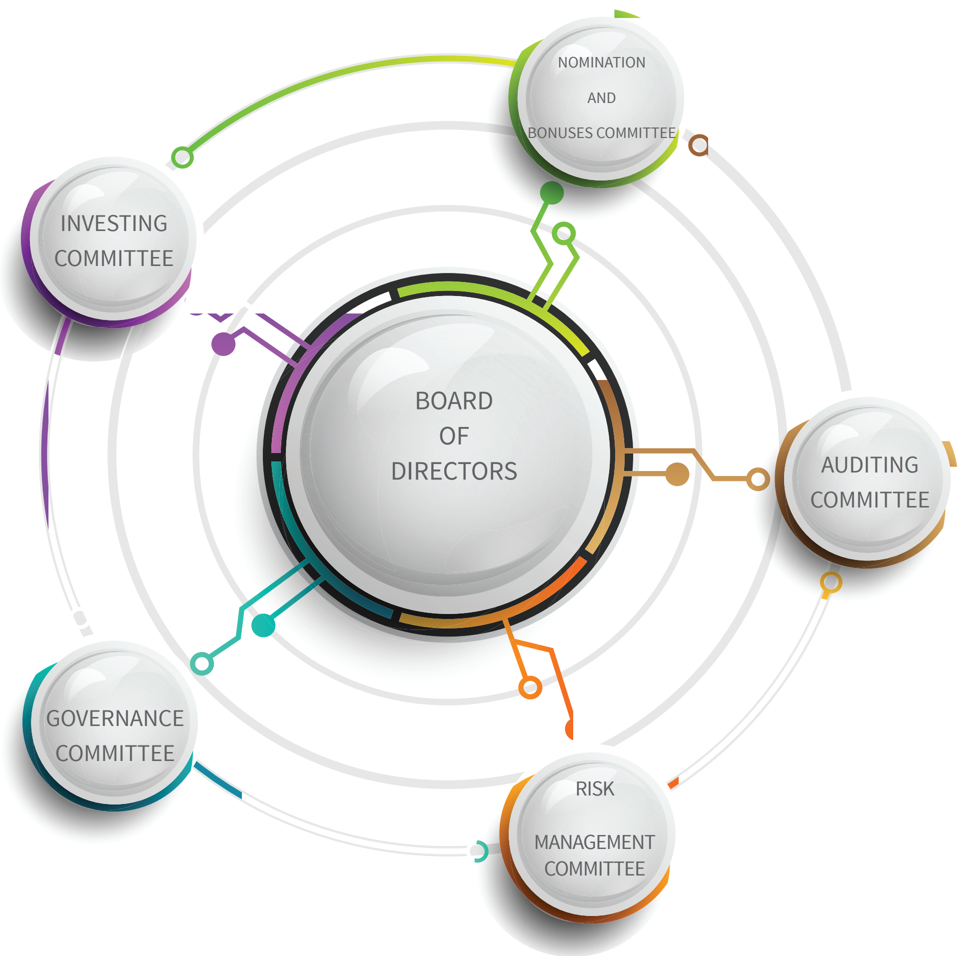
The company also has a Financial and Administrative Delegation Matrix that covers all departments that operate within the company and is updated whenever necessary.

The Board of Directors of First Takaful Insurance Company has formed sub-committees:

They are characterized by independence in accordance with the company's internal regulations, which include a comprehensive definition of the tasks and responsibilities of the committees and the powers granted to them during the period, as well as how they are monitored, and the board committees are obligated to inform the board of directors of what they do and the results and recommendations they reach.

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

Please find below the meetings of First Takaful's Nomination and Remuneration Committee for 2023:

NOMINATION AND REWARDS COMMITTEE			
Members	Bader Alhajeri Head of committee	Hussain Ali Al-Attal Member of committee	Bandar Al-Jarallah Member of committee-Independent
Meeting no. 01/2023	√	√	√
Attendance percentage	100 %	100 %	100 %

Key achievements of the committee during 2023:

- The detailed annual report on all fixed and variable remuneration granted to the members of the Board of Directors and executive management, whether amounts, benefits or privileges, was prepared, and the detailed report was presented to the company›s General Assembly and approved, and is read by the Chairman of the Board of Directors.
- The remuneration policy was reviewed.
- The performance appraisal policy was reviewed.
- The needs of the executive management in filling certain executive positions were reviewed.
- The CEO was authorized to solicit applications for some executive positions and take all necessary actions to provide the needs of the executive management and fill some other managerial positions as needed.
- It has been confirmed that the independent board member does not cease to be independent by signing the declaration of independence.
- The company›s organizational structure and authority matrix has been reviewed and updated.
- Recommend accepting the re-nomination of the Board of Directors and Executive Management.

Report on the remuneration granted to members of the Board of Directors and Executive Management during 2023:

First: The company›s remuneration and incentives system:

The system of rewards and incentives granted to the members of the Board of Directors and the Executive Management in the First Takaful Insurance Company is based on the indicators and the level of performance and key achievements at the level of the company in general and 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	10,500 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	290,820 KD	7,200 KD	5,018 KD	6,928 KD	840 KD	53,843 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.	
	372,405 KD	28,405 KD	3,857 KD	3,365 KD	29,450 KD	0	

Total remuneration for executive and senior management is estimated at KD 802,431,957

Third: Other remuneration granted directly or indirectly:

- There are no other bonuses.

Fourth: Material deviations from the approved remuneration policy:

- There are no material deviations.

Acknowledgment Independent board member

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.

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

Date: 26/03/2024
Signature:

09
الإدارة العليا
TOP MANAGMENT
الأولى تكافل
FIRST TAKAFUL

Acknowledgment Independent board member

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

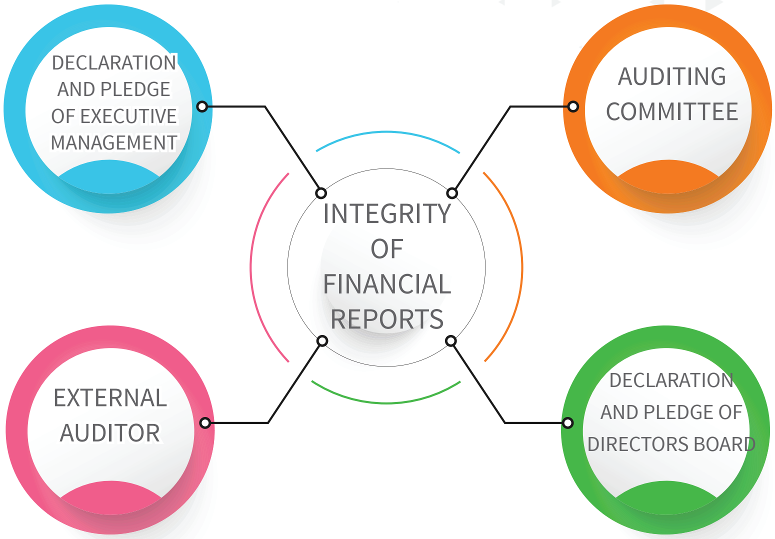
1- I enjoy complete independence as stated in Article (2-3) of Chapter Two of Book Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and its amendments. Please find an attachment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

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

Date: 26/03/2024
Signature:

09
الإدارة العليا
TOP MANAGMENT
الأولى تكافل
FIRST TAKAFUL

Rule Four - Ensur the integrity of financial reporting:



Executive Management Acknowledgment and Undertaking on Financial Reporting:

The Company›s executive management shall submit a written declaration to the Board of Directors on an annual basis in which the executive management acknowledges that all financial reports presented to the Board of Directors are presented in a fair and accurate manner, that they include all financial aspects of the Company›s financial statements and operating results, and that all financial reports have been prepared in accordance with the international accounting standards approved by the Capital Markets Authority (CMA).

Board of Directors› Declaration and Undertaking on Financial Reporting:

The Board of Directors of the Company provides a written declaration and undertaking that it is fully responsible for the integrity and fairness of all annual financial statements and 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 fair and accurate manner.

Audit Committee:

The Audit Committee is an important committee of the Board of Directors of First Takaful Insurance Company. The Audit Committee performs a number of key functions, as follows:

- Ensuring the integrity of the company›s financial statements.
- Recommending to the Board of Directors the appointment, reappointment or change of external auditors and the determination of their fees.
- The efficiency and effectiveness of the internal control systems and ensuring compliance with them.
- Recommending the appointment of the Director of Internal Audit and evaluating the performance and effectiveness of the Company›s internal audit department.
- The company›s compliance with relevant legal requirements, policies, regulations and instructions.

The Audit Committee Charter also stipulates that 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 reasons behind the Board of Directors› decision not to comply with them.

Formation of the Committee:

First Takaful is committed to forming board committees in accordance with the provisions of Book XV Corporate Governance, and the Audit Committee has been formed as follows:

- The number of committee members is three members of the Board of Directors.
- One of the committee members is an independent member.
- The Chairman of the Board of Directors and the Executive Directors are not members of the Committee.

Please find below the meetings of the Audit Committee of the company «First Takaful» for 2023:

AUDIT COMMITTEE			
Committee Members	Saleh Al-Tanib Head of Committee	Rami Habli Member of committee	Bandar Al-Jarallah Member of committee-Independent
Meeting no. 01/2023	√	√	√
Meeting no. 02/2023	√	√	√
Meeting no. 03/2023	x	√	√
Meeting no. 04/2023	√	√	√
Attendance percentage	75 %	100 %	100 %

The main achievements of the committee during 2023:

- Approval and adoption of the previous Audit Committee Minutes No. (04/2022).
- Reviewing the committee›s recommendation to reappoint Mr. Abdul Latif Al-Aiban, the external auditor, taking into account the auditor›s rotation period and the auditor›s independence as per the instructions of the regulatory authorities.
- Review the external auditor›s observations on the financial statements, discuss and approve the draft interim financial statements and audit report for the company issued on December 31, 2022 and follow up on what has been done in this regard.
- Review the study of the accounting policies adopted and express an opinion and recommendation to the Board of Directors.
- Review and approve the Audit Committee›s annual report on the adequacy of the internal control systems applied within the company as of December 31, 2022.
- Review and approve the annual internal audit activity assessment for the year 2022.
- Review the results of the reports of the regulatory authorities and ensure that the necessary actions have been taken during 2022.
- Reviewing the company›s compliance with relevant laws, policies, regulations and instructions during 2022.
- Discuss and approve the draft annual financial statements and audit report of the company for the financial period ending December 31, 2022.
- Review and approve the Internal Control Report (ICR) prepared by an independent external audit firm as of December 31, 2022.
- Review and approve the Internal Audit Report - Evaluation and Review of Internal Control Systems as of December 31, 2022.
- Review and approval of the Annual Internal Audit Report - Independence and Objectivity.
- Review and approval of the Internal Audit Charter (updated).
- Review and approve the Health and Life Issue Management Report.
- - Reviewed and approved the Forensic Internal Audit Report.
- - Discussed and approved the draft interim financial statements and the company›s audit report for the financial period ending on March 31, 2023.
- Discussed and approved the contract for the provision of internal audit services by Agile Management Consultants, and canceled the previous contract. (Contract Attachment)
- The internal audit report of the Human Resources Department was discussed and approved.
- The internal audit report of the Forensic Audit Department was discussed and approved.
- Discussed and approved the draft interim financial statements and audit report of the company for the financial period ending on 30/06/2023, in accordance with IFRS 17 on insurance contracts.
- Discussed and approved the draft interim financial statements and audit report of the company

for the financial period ending on March 31, 2023, in accordance with IFRS 17 on insurance contracts.

- Reviewing and approving the new internal audit plan and internal audit charter.
- Reviewed and approved the Internal Audit Report - Legal and IT Department.
- Modify the professional fees of Mr. Abdul Latif Al-Aiban - Grant Thornton - Al-Qatami, Al-Aiban & Partners - the Company›s external auditor for the external audit work for the fiscal year ending December 31, 2023 due to the increased workload and number of hours, especially in relation to IFRS 17 - Insurance Contracts.
- The draft interim financial statements and audit report of the company for the financial period ending on 09/30/2023 were discussed and approved.
- Discussed and approved the Internal Audit Department›s report on the Marine Insurance Department and the Financial Department.

External Auditor:

First Takaful Insurance Company has an auditor who is registered in the register of auditors with the Capital Markets Authority and is fully independent of the company and its Board of Directors, and the company allows the auditor to discuss his opinions with the Audit Committee by inviting him to attend the Audit Committee's meetings.

Audit Committee meetings, he is also enabled to attend the General Assembly meetings and read the report prepared by him to the shareholders, and the auditor has great powers to report any irregularities or obstacles in detail to the Capital Markets Authority (CMA).

The representative of the external auditor of First Takaful Insurance Company attended 4 meetings of the Audit Committee in 2023 and discussed with the committee members 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 2023:

RISK MANAGEMENT COMMITTEE			
Committee Members	Rami Habli Head of committee	Hussain Al-Attal Committee Member	Badr Jassim Al Hajri committee Member
Meeting no. 01/2023	√	√	√
Meeting no. 02/2023	√	√	√
Meeting no. 03/2023	√	√	√
Meeting no. 04/2023	√	√	√
Meeting no. 05/2023	√	√	√
Attendance percentage	100 %	100 %	100 %

Sixth Rule - Promoting professional behavior and ethical values:

Business Charter:

The company has a work charter with comprehensive behavioral standards and determinants set by the Board of Directors to consolidate ethical concepts and values, and the executive staff work with these standards and determinants to achieve the company's ambitions and goals, as they contribute to the performance of tasks to the fullest.

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

- Disclosure Policies and Procedures Manual.
- Internal Reporting Policy.

- Shareholder Relations Policy.
- Related Party and Investor Affairs Policy.
- Conflict of Interest Policy.
- Related Party Transactions Policy.
- Code of Conduct.

Conflict of Interest:

First Takaful's conflict of interest policy works to minimize conflicts of interest between the company and its related parties, as well as identify situations that may lead to the emergence of conflicts of interest in the future, and works to address and limit such operations, and the conflict of interest policy contributes to the protection and integrity of the reputation of the company and its related parties.

The conflict of interest policy obliges board members and executive management to disclose any common interests they have with the company, and to separate personal interests from official responsibilities in the company, as it works to prioritize the interests of the company over the interests of its members.

Governance Committee:

The Governance Committee is a specialized committee specialized in corporate governance and is a subsidiary and formed by the Board of Directors:

- Follow up the extent of the company's application and compliance with the corporate governance rules.
- Prepare a detailed annual report on the extent of the application of corporate governance rules in the First Takaful Insurance Company.
- Make recommendations to the Board of Directors on all matters related to the corporate governance framework.

Formation of the Committee:

The Board of Directors of the Company has formed a committee specialized in good corporate governance rules and provisions to apply the best practices, and the Governance Committee was formed as follows:

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

Committee meetings:

- The Governance Committee meets at least once a year and the number of meetings may be increased as needed.
- Directors who are not members of the committee are entitled to attend meetings at the invitation of the chair of the committee.

GOVERNANCE COMMITTEE			
Committee Members	Abdullah Al Asfour Head of committee	Hussain Al-Attal Committee Member	Osama Abdul Latif Al-Abdul-Jalil committee Member
Meeting no. 01/2023	√	√	√
Attendance percentage	100 %	100 %	100 %

The main achievements of the committee during 2023:

- Preparing and approving the company's corporate governance report for the year 2022 to be submitted to the Capital Markets Authority - State of Kuwait.

- Approved authorizing the CEO to follow up on the semi-annual governance report submitted through the CMA portal, provided that the final version of this report will be sent to the committee members through email.
- Approve the work plan for the "Compliance, Compliance and Anti-Money Laundering" department for 2023-2024.
- Authorize the Chief Executive Officer (Committee member) to follow up on the work plan of the Compliance and Regulatory Compliance Department.

Investment Committee:

One of the main responsibilities of the Board of Directors is to formulate an effective investment policy. The objectives of the Investment Committee are to formulate the investment policy and follow up its implementation and performance with the executive management, while the Board of Directors reviews and approves the policy.

Tasks of the Committee:

- Review the company's investment plan and policy and recommend its approval to the Board of Directors.
- Evaluate the performance of the investments made by the company and ensure that they do not deviate from the approved investment plan and policy.
- Periodically review the costs and benefits of the company's investments in light of the planned strategy and related risks.
- Reviewing and evaluating the contracts entered into by the executive management with local and foreign investment entities and companies to manage the company's investments within the investment plan and policy.
- Analyze the risks of investments on an ongoing basis and work to minimize the risks.

INVESTMENT COMMITTEE			
Committee Members	Badr Jassim Al Hajri Head of committee	Hussain Al-Attal Committee Member	Saleh Al-Tanib committee Member
Meeting no. 01/2023	√	√	√
Meeting no. 02/2023	√	√	x
Meeting no. 03/2023	√	√	x
Attendance percentage	100 %	100 %	33 %

Formation of the Committee:

- The Board of Directors formed the Investment Committee with three members of the Board of Directors.

Committee Meetings:

- The Committee approves the schedule of its meetings before the beginning of each fiscal year.
- The Committee shall hold a meeting whenever necessary inside or outside the Company's headquarters if required, and the invitation to attend the meeting shall be sent with the agenda and attachments, and the presence of at least half of the Committee members shall be required for a quorum.
- The meeting shall be held if requested by the Chairman of the Committee, two of its members, or the Board of Directors, provided that the meeting request indicates the reasons for it.

The committee's main achievements during 2023:

- The Committee discussed the opportunity to sell real estate assets owned by the First Takaful Insurance Company in the United Arab Emirates, as follows:

Location: Palm Jumeirah Pent House Plot No. 1114 Property No. PH07

Property Type : Pent House Residential Al Sarood - B13
Project Name : Shoreline
Property Number : PH07
It was recommended to the Board of Directors to approve the sale of this property, provided that the sale value is not less than AED 6,250,000.

- The Investment Committee discussed the offer submitted by a related party to purchase one of the real estate investments of Al Awwal Takaful Insurance Company (Yotel The Palm Hotel under construction), which is estimated at KD 2,361,570, and all details of the offer were reviewed and discussed. (Purchase offer attached).
- The investment appraisal report prepared by a licensed independent investment advisor was discussed and approved. (Attached is the investment advisor's report) and accordingly, recommendations were submitted to the Board of Directors to approve the sale of this investment.
- Discussed the offer submitted by Kuwait International Investment Company to purchase 2.25% of Alawwala Takaful's shareholding in Strive Services Group (the main activity of the group is to provide facilities management services and property security services) Al Awla Takaful holds a 19.9% stake in Strive Services Group for an amount of AED 3,636,000.
- The members of the Investment Committee approved this offer and recommended to the Board of Directors to approve the sale of 2.25% of First Takaful's shareholding in Strive Services Group for an amount of AED 3,636,000, and a profit of AED 1,277,650 was realized.

Rule 7 - Timely and accurate disclosure and transparency:

Presentation and disclosure mechanisms:
The Company has been keen to apply the best disclosure mechanisms, as the Board of Directors has adopted disclosure policies and procedures that include methods and methods of disclosure of material data and information, and allows full transparency of all information and data for timely presentation, and the Board of Directors reviews these disclosure mechanisms periodically to keep pace with international best practices.

Disclosure register:
The company works to organize the disclosures of board members and executive management through a special record of their disclosures, as this record is available to all shareholders of the company without fees or charges, and the company updates this record periodically to reflect the reality of the situation of the related parties.

Investor Affairs Unit:
The company has a unit that organizes investor affairs, which is responsible for providing all the 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 full page has been provided through the company's website for the investor affairs unit containing all contact information for the official of this unit.

Technology:
The company relies heavily on technology, as it contributes to communicating with shareholders, investors and stakeholders through the use of information technology, and Ola Takaful has provided a complete section on its website for corporate governance and company disclosures, in order to display all the latest data and information that enables both shareholders and current and potential investors to exercise their rights in evaluating the company's performance.

Hall Eight - Respecting Shareholders' Rights:

Shareholders' rights:
The articles of association, policies, regulations and internal controls of the company ensure justice and equality for the rights of shareholders, and shareholders have general rights to exercise, such as holding the board of directors accountable, monitoring the company's performance, electing board members and others.

"First Takaful grants shareholders their full rights without any discrimination and in a manner that does not harm the company's interests or contradict applicable laws and regulations.

Clearing agency:
The company is keen to observe the accuracy and continuous follow-up of the data of the shareholders by establishing a special register kept at the clearing agency where the names of the shareholders in the company and the number of shares owned by each of them are recorded, and the company is keen to update the data recorded in it as soon as a change occurs by marking in the shareholders' register to reach the highest stages of accuracy.
Encourage shareholder participation:
The right to participate and vote in the company's General Assembly is a fundamental right for all shareholders, so the company is keen to activate this role by sending an invitation to shareholders to attend the General Assembly meeting, including all data and information related to the agenda items, and shareholders have the right to appoint others to attend the General Assembly meeting through a special power of attorney or authorization in this regard, and the company enables shareholders who own 5% of the company's capital to add items to the agenda, and the company provides shareholders with disclosure data for members of the Board of Directors and executive management members.

Rule Nine - Recognize the role of stakeholders:

Stakeholders:
Recognizing the rights of stakeholders contributes to strengthening the framework of mutual cooperation between the company and stakeholders, and the company works to respect and protect the rights of stakeholders. The policies and procedures established by the company ensure full protection and equal treatment of board members without discrimination, and work to establish good relations with the company's customers and suppliers and maintain the confidentiality of information related to them, and the policy indicated the mechanism for submitting and settling complaints and procedures that preserve the rights of stakeholders.
Encourage stakeholder participation:
The company works to provide stakeholders with access to all information and data related to their activities, and the company has provided a mechanism to report any improper practices to which stakeholders are exposed by the company, while providing full protection for whistleblowers.

Tenth Rule - Promoting and Improving Performance:
Encouraging Performance Improvement:
The Company's interest in encouraging the development and improvement of efficiency and performance has contributed to the establishment of mechanisms and systems that allow Board members and executive management to obtain training programs and courses related to the Company's activities and work, through introductory programs such as company strategy, financial and operational aspects for newly appointed members, as well as including programs, workshops and conferences for current members and executive management.
Accordingly, multiple workshops were held:
- **Special Workshops for Board Members:**

An introductory workshop was conducted for the board members of First Takaful Insurance Company on Resolution No. 58 of 2023 regarding the requirements of the Corporate Governance Rules issued by the Insurance Regulatory Unit of the State of Kuwait.
- Some workshops, courses and conferences for executive management:
- Total depreciation and partial depreciation of cars.
- Health insurance and marine insurance.
- IFRS 17 Insurance Contracts.
- Arts and skills of legislative drafting.
- How to prepare the insurance lawsuit sheet.
- Certified Anti-Money Laundering Compliance Monitor.
- Digital marketing / digital marketing.

- CII WUE - Insurance Underwritin
- WCE - Claims Handling
- Insurance Claims Handling (WCA)

Performance evaluation:
The performance evaluation of board members and executive management is based on qualitative and quantitative performance indicators determined by the company. The most important qualitative indicators on which the performance evaluation systems are based are interaction and responsiveness to the objectives to be achieved, observations received from regulatory authorities, identifying and resolving issues, as well as participation in courses and the extent to which they are related to the company's activity and work.
Quantitative indicators are subject to returns on average assets as well as returns on average shareholders from net profit margin and annual returns.
Creating organizational values:
The company's vision and mission create a suitable environment for institutional values of an effective and productive nature, it contributes to improving performance rates and instilling institutional values among its employees, and this contributes to the advancement of work and maintaining the financial integrity of the company, the reflection of our values in all activities and products of the company created a culture of compliance with laws and decisions of regulatory authorities as well as providing services with high quality, honesty, integrity and transparency in dealing with customers, it helps to achieve the strategic objectives of the company.

Eleventh Rule - Emphasize the importance of social responsibility:
Social Responsibility:
The social responsibility activity at Ola Takaful is centered on achieving its social duty as a key partner in the development of Kuwaiti society, by contributing to the development of living, social and economic conditions in the country, it comes through the company's support for all sectors in the country, the importance of social responsibility is to strengthen the relationship between the company and society.
By way of example, some of the activities of the First Takaful Insurance Company are as follows:

- "Master's Student Research" Ola Takaful provided support to a master's student who is one of the national competencies by meeting with her and explaining all information related to the research project, which was related to sustainability in Kuwait (governance, social and environmental responsibility and ESG), and also discussed this research and answered all questions related to the title of the research, and it is worth noting that the student is studying a master's degree at the University of Leicester located in (Britain).
- "Umniah Plastic Recycling" Ola Takaful provides Umniah plastic recycling containers within the company's facilities to collect and sort plastics from waste in order to recycle them and preserve the environment.

- "Periodic Bulletin" Ola Takaful issues periodic educational publications that spread insurance awareness and highlight the culture and importance of insurance within the community in the State of Kuwait.

End of Report

الأولـــــى تـكـافـــــل
FIRST TAKAFUL

لـكـل مـا هـو مـهـم
For All That Matters

Consolidated financial statements and independent auditor’s report

First Takaful Insurance Company – KPSC and its Subsidiary

Kuwait

31 December 2023

financial statements

Content

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, 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 (including International Independence Standards)* (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 investments held at fair value

The Group invests in various asset classes, of which 23% 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

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

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.

Valuation of investments held at fair value (continued)

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 2023

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 2023, 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 as adopted for use in the State of Kuwait, 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated fi-

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

nancial 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.
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

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

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 2023 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 2023 that might had a material effect on the business or financial position of the Parent Company.

Grant Thornton
القطامي والعيبان وشركاهم

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

28 March 2024

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Revenue			
Rental income	10	**8,783**	28,826
Gain on disposal of investment property	10	**-**	23,532
Gain / (loss) on disposal of assets held for sale	11	**171,093**	(7,213)
Change in fair value of investment properties	10	**-**	186,196
Change in fair value of investment properties held for sale	11	**48,296**	-
Profit from saving deposits		**11,265**	9,284
Other income	18	**16,227**	110,000
		255,664	350,625
Expenses and other charges			
General and administrative expenses	20	**(486,454)**	(205,055)
		(486,454)	(205,055)
(Loss) / profit for the year before provisions for National Labour Support Tax (NLST) and Zakat		**(230,790)**	145,570
Provision for NLST		**-**	(3,639)
Provison for Zakat		**-**	(1,456)
(Loss) / profit for the year		**(230,790)**	140,475
Basic and diluted (loss) / earnings per share	6	**(2.17) Fils**	1.32 Fils

The notes set out on pages 49 to 103 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
(Loss) / profit for the year		**(230,790)**	140,475
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	**671,145**	1,039,311
Total other comprehensive income		**671,145**	1,039,311
Total comprehensive income for the year		**440,355**	1,179,786

The notes set out on pages 49 to 103 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2023 KD	(Restated) 31 Dec. 2022 KD
Assets			
Bank balances	7	**232,450**	4,297
Term deposit	7	**439,000**	439,000
Assets held for sale	11	**175,686**	543,636
Investment in associates	8	**720,001**	720,001
Investments at fair value through other comprehensive income	9	**2,891,244**	5,043,702
Investment properties	10	**-**	2,791,939
Qard Hassan to policyholders' fund	12	**2,396,131**	2,593,938
Due from related parties	18	**5,864,311**	613,773
Other assets		**29,878**	82,148
Total assets		**12,748,701**	12,832,434
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		**1,548,134**	1,197,301
Foreign currency translation reserve		**(282,917)**	(282,917)
Accumulated losses		**(2,884,084)**	(2,973,606)
Total equity		**9,684,339**	9,243,984
Liabilities			
Policyholders' deficit reserve	12	**2,396,131**	2,593,938
Amount due to policyholders	15	**413,568**	587,523
Other liabilities		**254,663**	406,989
Total liabilities		**3,064,362**	3,588,450
Total equity and liabilities		**12,748,701**	12,832,434

Abdullah A. Al-Asfour
Chairman

Hussain Ali Mohammed Al-Attal
Vice Chairman & CEO

The notes set out on pages 49 to 103 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 2022	**10,660,000**	**336,226**	**306,980**	**1,197,301**	**(282,917)**	**(2,973,606)**	**9,243,984**
Loss for the year	-	-	-	-	-	**(230,790)**	**(230,790)**
Other comprehensive income for the year	-	-	-	**671,145**	-	-	**671,145**
Total comprehensive income for the year	-	-	-	**671,145**	-	**(230,790)**	**440,355**
Realised gain transferred on disposal of financial assets at FVOCI	-	-	-	**(320,312)**	-	**320,312**	-
Balance at 31 December 2023	**10,660,000**	**336,226**	**306,980**	**1,548,134**	**(282,917)**	**(2,884,084)**	**9,684,339**
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

The notes set out on pages 49 to 103 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
OPERATING ACTIVITIES			
Loss)/profit for the year)		**(230,790)**	140,475
:Adjustments for			
Change in fair value of investment properties		**-**	(186,196)
Change in fair value of investment properties held for sale		**(48,296)**	-
Gain on disposal of an investment property		**-**	(23,532)
Gain) / Loss on disposal of an assets held for sale)	11	**(171,093)**	7,213
		(450,179)	(62,040)
:Changes in operating assets and liabilities			
Other assets		**52,270**	166,334
Due from related parties		**(574,316)**	-
Movement in policyholders' account		**(173,955)**	(781,701)
Other liabilities		**(152,326)**	140,383
Net cash used in operating activities		**(1,298,506)**	(537,024)
INVESTING ACTIVITIES			
Proceed from sale of investments at FVTOCI		**305,310**	-
Proceeds from disposal of investment properties		**-**	229,455
Proceeds from disposal of an asset held for sale	11	**1,221,349**	305,789
Net cash from investing activities		**1,526,659**	535,244
Net increase / (decrease) in cash and cash equivalents		**228,153**	(1,780)
Cash and cash equivalents at the beginning of the year	7	**4,297**	6,077
Cash and cash equivalents at the end of the year	7	**232,450**	4,297
:Non-cash transaction			
Disposal proceed from sale of investments properties held for sale		**2,157,929**	**-**
Disposal proceed from sale of investments at FVTOCI		**2,518,293**	**-**
Due from a related party		**(4,676,222)**	**-**

The notes set out on pages 49 to 103 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.

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".
Details of the Group's consolidated subsidiary at the end of the reporting period is as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest	
			31 Dec. 2023 %	31 Dec. 2022 %
Weqya Real Estate Company – WLL *	Kuwait	Real Estate	**100%**	100%

*the subsidiary was incorporated during the year 2022 and has not started the operation yet.

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.

1 Incorporation and activities (continued)

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 2023 were authorised for issue by the board of directors of the Parent Company on 28 March 2024 and are subject to the approval of the General Assembly of the shareholders.

2 Statement of compliance and basis of preparation

2.1 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).

2.2 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.

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".

Upon initial application of IFRS 17, "Insurance Contracts", the Group has decided not to present an adjusted comparative consolidated financial position for shareholders as at 1 January 2022, as it has only impacted the Qard Hassan balance to policyholder's fund and Policyholder's deficit reserve. The impact on these balances and the overall impact on adoption of IFRS 17 is detailed in note 17.1.

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*
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023

IAS 1 Amendments and IFRS Practice Statement 2 – Disclosure of accounting policies

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

The adoption of the amendments did not 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.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.**The adoption of IFRS 17 Insurance Contracts is detailded in note 17.1**

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

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*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of liabilities as current or non-current	1 January 2024
IAS 21 Amendments – Lack of exchangeability	1 January 2025

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)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 1 Amendments - Classification of liabilities as 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.

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 21 Amendments – Lack of exchangeability

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

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.

4 Material accounting policies

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

4.1 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.1 Basis of consolidation (continued)

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.

4.2 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.

4.3 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (eg regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

4 Material 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.

4.4.2 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'.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.6 Leased assets (continued)

The Group as a lessee (continued)

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.

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.

4 Material accounting policies (continued)

4.6 Leased assets (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.7 Investment in associates (continued)

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.

4.8.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the 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.

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 Material accounting policies (continued)

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 (FVTOCI)

The classification is determined by both:

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

The 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 FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)
4.10 Financial instruments (continued)
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 FVTOCI

The Group's financial assets at FVTOCI mainly comprise investment in equity shares. These represent investment in unquoted equity shares.
The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

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

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

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

4 Material accounting policies (continued)

4.10 Financial instruments (continued)

4.10.3 Subsequent measurement of financial assets (continued)

***b)* Financial assets at FVTOCI (continued)**

Equity investments at FVTOCI (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the 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 FVTOCI 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 FVTOCI 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 FVTOCI.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.10 Financial instruments (continued)

4.10.4 **Impairment of financial assets (continued)**

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 FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

If the 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 Material accounting policies (continued)

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"

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.

Where investment properties are held for sale these are classified under a separate heading as "assets held for sale", but are revalued annually in line with the above policy for investment properties and any gain or loss included in the statement of profit or loss.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

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 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.

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.

4 Material accounting policies (continued)

4.19 Provisions, contingent assets and contingent liabilities (continued)

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 4.11). 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.

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.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty

5.2 Estimates uncertainty (continued)

5.2.1 Impairment of financial assets (continued)

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 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 (loss) earning per share

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

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
(Loss)/profit for the year (KD)	**(230,790)**	140,475
Weighted average number of shares outstanding during the year	**106,600,000**	106,600,000
Basic and diluted (loss)/earnings per share	**(2.17) Fils**	1.32 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. 2023 KD	31 Dec. 2022 KD
Bank balances	**232,450**	4,297
Term Deposit	**439,000**	439,000
	671,450	443,297
Less: deposit maturing more than three months	**(439,000)**	(439,000)
Cash and cash equivalents as per consolidated statement of cash flows	**232,450**	4,297

Term deposits represents deposit placements made with local bank and carry an effective profit rate of 3.75% to 4.75% (31 December 2022: 3.75% to 4.25%).

8 Investment in associates

Name	Percentage ownership		Country of incorporation	Principal activity
	31 Dec. 2023 %	31 Dec. 2022 %		
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

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 2023 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. 2023 KD	31 Dec. 2022 KD
Foreign unquoted securities	**2,891,244**	5,043,702
	2,891,244	5,043,702

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 FVTOCI 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.

The above investments were acquired through one of the related parties and the legal formalities with regard to transfer of the ownerships of these investments to the Group, are still in progress.

During the year, the Parent Company has signed an agreement with a related party to dispose part of Strive Group for Services Company LLC, a related party, for a total consideration of KD305,310. The resulted gain on this disposal amounting KD112,020 was transferred within equity from change in fair value reserve to the accumulated losses during the period.

Further, during the year, the Parent Company has signed another agreement with a related party to dispose one of the above foreign unquoted investments for a net consideration of KD 2,518,293 (net of present value discount of KD 315,574) and the disposal proceeds are due over four years and the net amount of KD 2,518,293 was accounted as due from related party as of the reporting date. The resulted gain on this disposal amounting KD 208,292 was transferred within equity from change in fair value reserve to the accumulated losses during the period.

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 and the carrying value of the remaining properties as at 31 December 2022 amounted to KD2,791,939.

However, since the Group is currently unable to transfer the ownership of those properties in its name because holding of investments properties is not included in the Parent Company's memorandum of incorporation and Articles of association. 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.

During the year, all investment properties with a carrying value of KD 2,791,939 have been reclassified to asset held for sale (note 11).

11 Assets held for sale – Investment properties

	31 Dec. 2023 **KD**	31 Dec. 2022 KD
Opening balance at the beginning of the year	**543,636**	-
Transfer from investment properties (note 10)	**2,791,939**	856,638
Disposals (a)	**(3,208,185)**	(313,002)
Change in fair value during the year	**48,296**	-
Closing balance at the end of the year	**175,686**	543,636

a) During the year, the Parent Company signed an agreement with a related party to dispose the properties held for sale with a carrying value of KD 3,208,185 for a consideration of KD 3,379,278. The consideration was part settled in cash KD 1,221,349 and the remaining amount of KD 2,157,929 (net of present value discount of KD 184,353) is due over 4 years and the net amount of KD 2,157,929 was accounted as due from related party as of the reporting date. The resulting of gain on this disposal amounting to KD 171,093 has been recognized in the consolidated statement of profit or loss.

b) The estimation of fair value by an independent real estate valuer as of 31 December 2023 has resulted in a change in fair value gain of KD 48,296 being recognized in the consolidated statement of profit or loss for the current year. The investment properties held for sale are located in UAE and 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.

c) As noted in 10 above the Group is currently unable to transfer the ownership of the properties in its name, and consequently 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.

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. 2023 KD	(Restated) 31 Dec. 2022 KD
Opening balance at the beginning of the period/year (as previously reported)	**3,049,006**	3,268,970
Impact on initial application of IFRS 17 (note 17.1)	**(455,068)**	666,844
Opening balance at the beginning of the year after application of IFRS 17 (restated)	**2,593,938**	3,935,814
Net surplus for the year from insurance operations (note 17)	**(197,807)**	(1,341,876)
Closing balance at the end of the year	**2,396,131**	2,593,938

13 Share capital

	Dec. 2023 31 KD	Dec. 2022 31 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

Statutory reserve

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.

Voluntary reserve

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 transfers to reservers is required in a year in which the Group has incurred a loss or where accumulated losses exist.

Notes to the consolidated financial statements (continued)

15 Amount due to policyholders

	31 Dec. 2023 KD	31 Dec. 2022 KD
Opening balance at the beginning of the year	**587,523**	1,724,863
Net movements during the year	**(173,955)**	(1,137,340)
Closing balance at the end of the year	**413,568**	587,523

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 2023, and this proposal is subject to the approval of the general assembly of the Parent Company's shareholders.

The general assembly of the shareholders held on 4 May 2023 approved the financial statements for the year ended 31 December 2022 and the proposal of the board of directors not to distribute any dividends for the year then ended (2021: KD Nil). Further, the shareholders approved to distribute board of directors' remuneration amounting KD 21,000 for the year ended 31 December 2022 (2021: KD 21,000).

17 Policyholders' results by line of business and fund

17.1 Material accounting policies for Policyholders

The material 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.

Standards, interpretations and amendments to existing standards – impact of new IFRS 17 Insurance contracts (Related to Policyholders)

IFRS 17 Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of takaful contracts, insurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Under IFRS 17, takaful revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of contributions that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Group has restated comparative information applying the transitional provisions to IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

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

17.1 Material accounting policies for Policyholders (continued)

Standards, interpretations and amendments to existing standards – impact of new IFRS 17 Insurance contracts (Related to Policyholders) (continued)

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Group's takaful contracts. The Group was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of takaful contracts issued and reinsurance contracts held by the Group.

Under IFRS 17, the Group's takaful contracts issued, and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of takaful contracts in comparison with the general model in IFRS 17.

The Group applies the PAA to simplify the measurement of all of its Takaful and reinsurance contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for outstanding claims, the Group now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects contributions received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of coverage are more than 12 months apart;
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision); and
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR)) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

Notes to the consolidated financial statements (continued)

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

17.1 Material accounting policies for Policyholders (continued)

Standards, interpretations and amendments to existing standards – impact of new IFRS 17 Insurance contracts (continued)

IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure

For presentation in the consolidated statement of financial position of policyholders, the Group aggregates Takaful and reinsurance contracts issued (the Group does not have any reinsurance contracts issued as of the reporting date) and reinsurance contracts held, respectively and presents separately:

- Groups of Takaful and reinsurance contracts issued that are assets;
- Groups of Takaful and reinsurance contracts issued that are liabilities;
- Groups of reinsurance contracts held that are assets; and
- Groups of reinsurance contracts held that are liabilities.

The groups referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the consolidated statement of profit or loss and other comprehensive income of policyholders have been changed significantly compared with last year. Previously, the Group reported the following line items:

- Premium written
- Net premium written
- Total revenue
- Net claims incurred
- Total expenses/income
- Surplus/deficit by line of business
- Net surplus/deficit from insurance operations

Instead, IFRS 17 requires separate presentation of:

- Takaful revenue
- Takaful service expenses
- Takaful finance income or expenses
- Takaful or expenses from reinsurance contracts held

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

17.1 Material accounting policies for Policyholders (continued)

Standards, interpretations and amendments to existing standards – impact of new IFRS 17 Insurance contracts (continued)

IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure (continued)

The Group provides disaggregated qualitative and quantitative information about:
- Amounts recognised in its financial statements from takaful contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Group:

- identified, recognised and measured each group of Takaful and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied and these included takaful receivables and payables. Under IFRS 17, they are included in the measurement of the takaful contracts; and
- recognised any resulting net difference in equity.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each consolidated financial statement line item. The effects of adopting IFRS 17 on the consolidated financial statements at 1 January 2022 and 31 December 2022 are presented as follows;

	31 Dec. 2022 KD	1 Jan. 2022 KD
Consolidated statement of financial position – Policyholders		
Net deficit for policyholders as previously reported	(3,049,006)	(3,268,970)
Impact on initial application of IFRS 17	455,068	(666,844)
Net deficit for policyholders (as restated)	(2,593,938)	(3,935,814)
Consolidated statement of financial position – Shareholders		
Qard Hassan to policyholders' fund (as restated) – refer note 12	2,593,938	3,935,814
Policyholders' deficit reserve (as restated) – refer note 12	(2,593,938)	(3,935,814)

Takaful and reinsurance contracts

Takaful and reinsurance contracts issued classification

The Group issues takaful contracts in the normal course of business, under which it accepts significant takaful risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Takaful contracts can also transfer financial risk. The Company does not issue re-insurance contracts in the normal course of business.

Notes to the consolidated financial statements (continued)

17 Policyholders' results by line of business and fund (continued)
17.1 Material accounting policies for Policyholders (continued)
Takaful and reinsurance contracts (continued)

Separating components from Takaful and reinsurance contracts
The Group assesses its takaful products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. Currently, the Group's products do not include any distinct components that require separation.

Level of aggregation
IFRS 17 requires a Group to determine the level of aggregation for applying its requirements. The Group previously applied aggregation levels under IFRS 4, which were significantly higher than the level of aggregation required by IFRS 17. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into two categories: onerous contracts and others. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator.

However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Group has elected to group together those contracts that would fall into different groups only because law, regulation or internal policies specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Group applied a full retrospective approach for transition to IFRS 17.

The portfolios are further divided into groups of contracts by quarter of issue and profitability for recognition and measurement purposes. Hence, within each quarter of issue, portfolios of contracts are divided into two groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of the remaining contracts in the portfolio if any)

The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:
- Pricing information
- Historical information
- Results of similar contracts it has recognised
- Environmental factors, e.g. a change in market experience or regulations

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

17.1 Material accounting policies for Policyholders (continued)

Takaful and reinsurance contracts (continued)

Level of aggregation (continued)

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

Recognition

The Group recognises groups of takaful contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Group recognises a group of reinsurance contracts held:

- If the reinsurance contracts provide proportionate coverage at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; and
- In all other cases, from the beginning of the coverage period of the group the Group adds new contracts to the group when they are issued or initiated.

Contract boundary

The Group includes in the measurement of a group of takaful contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the contributions, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

Both of the following criteria are satisfied:

- The Group has the practical ability to reassess the risks of the portfolio of takaful contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- The pricing of the contributions for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected contributions or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future takaful contracts.

Notes to the consolidated financial statements (continued)

17 Policyholders' results by line of business and fund (continued)
17.1 Material accounting policies for Policyholders (continued)

Takaful and reinsurance contracts (continued)

Takaful contracts - initial measurement
The Group applies the premium allocation approach (PAA) to all the takaful contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including coverage arising from all contributions within the contract boundary.

Or

- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as the contributions, if any, received at initial recognition, minus any insurance acquisition cash flows at that date, there is no allowance for time value of money as the contributions are mostly received within one year of the coverage period.

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as takaful contracts that it issues, however, adapted to reflect the features of reinsurance contracts held that differ from takaful contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Takaful contracts – subsequent measurement
The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus contributions received in the period;
- Minus capitalised insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense in the reporting period for the group;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognized as insurance revenue for the coverage period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity, and include an explicit adjustment for non-financial risk (the risk adjustment). The Group does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

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

17.1 Material accounting policies for Policyholders (continued)

Takaful and reinsurance contracts (continued)

Reinsurance contracts held

The Group do not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

The subsequent measurement of reinsurance contracts held follows the same principles as those for takaful contracts issued and has been adapted to reflect the specific features of reinsurance held.

Takaful contracts - modification and derecognition

The Group derecognises takaful contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or

The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Group has presented separately, in the statement of financial position, the carrying amount of groups of takaful contracts issued that are assets, groups of takaful contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding takaful contracts are included in the carrying amount of the related groups of takaful contracts issued.

The Group disaggregates the total amount recognised in the consolidated statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Group disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively.

The Group separately presents income or expenses from Reinsurance contracts held from the expenses or income from takaful contracts issued.

Takaful revenue

The Takaful revenue for the period is the amount of expected contribution receipts (excluding any investment component) allocated to the period. The Group allocates the expected contribution receipts to each period of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

Notes to the consolidated financial statements (continued)

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

17.1 Material accounting policies for Policyholders (continued)

Takaful and reinsurance contracts (continued)

Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of takaful contracts is onerous, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of takaful contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Group disaggregate insurance finance income or expenses between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. the Group financial assets are also measured at FVTOCI.

Net income or expense from reinsurance contracts held

The Group presents separately on the face of the statement of profit or loss, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance contributions paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held.

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.

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,

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

17.1 Material accounting policies for Policyholders (continued)

Provision for employees' end of service benefits)continued)

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.

Critical accounting judgments and key sources of 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:

Assessment of significance of takaful risk:

The Group applies its judgement in assessing whether a contract transfers to the issuer significant takaful risk. A contract transfers significant takaful risk only if an insured event could cause the Group to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely.

Expected credit loss

Management reviews the provision for expected credit losses (ECL) at each reporting date by assessing the

recoverability of takaful and retakaful receivables. For non-takaful receivables the recoverability is assessed,

and expected credit losses are created in compliance with the simplified approach under the IFRS 9 methodology.

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.

Takaful and retakaful contracts

The Group applies the PAA to simplify the measurement of takaful contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

For takaful acquisition cash flows, the Group is eligible and chooses to capitalise all takaful acquisition cashflows upon payments.

The effect of recognising takaful acquisition cash flows as an expense on initial recognition of group of takaful contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

Notes to the consolidated financial statements (continued)

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

17.1 Material accounting policies for Policyholders (continued)

Critical accounting judgments and key sources of estimation uncertainty (continued)

Liability for incurred claims (continued)

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external of market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency exchange rates.

Discount rate

The Group use bottom-up approach to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity contribution'). The risk-free rate was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a AAA credit rating were used. Management uses judgment to assess liquidity characteristics of the liability cash flows.

Risk adjustment for non finacail risk

The risk adjustrnent for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful contracts. The risk adjustment reflects an amount that a takaful operator would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 65th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines (as an indicaüon of the compensation that it requires for bearing non-financial risk) as being equivalent to the 65th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Notes to the consolidated financial statements (continued)

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

17.2 Statement of profit or loss and other comprehensive income – Policyholders

	Notes	Year ended 31 Dec. 2023 KD	(Restated) Year ended 31 Dec. 2022 KD
Revenue			
Takaful revenue	17.5	**3,983,579**	3,482,879
Takaful service expenses	17.5	**571,227**	(522,649)
Takaful service result before reinsurance contracts held		**4,554,806**	2,960,230
Re-insurance expenses from reinsurance contracts held	17.6	**(2,254,102)**	(1,622,175)
Re-insurance income from reinsurance contracts held	17.6	**(1,381,236)**	702,909
Reinsurance service result		**(3,635,338)**	(919,266)
Takaful finance income for takaful contracts issued		**22,435**	218,791
Reinsurance finance expenses for reinsurance contracts held		**(15,861)**	(73,857)
		6,574	144,934
Other income		**177,509**	54,204
Net Takaful financial result		**1,103,551**	2,240,102
Expenses and other charges			
Unallocated general and administrative expenses		**(905,744)**	(648,226)
Provision for legal case		**-**	(250,000)
		(905,744)	(898,226)
Net surplus from Takaful operations		**197,807**	1,341,876
Other comprehensive loss		**(75,909)**	(229,689)
Net surplus from Takaful operations with other comprehensive income		**121,898**	1,112,187

Notes to the consolidated financial statements (continued)

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

17.2 Policyholders' assets, liabilities and fund:

	Note	31 Dec. 2023 KD	(Restated) 31 Dec. 2022 KD	(Restated) 1 Jan. 2022 KD
Assets				
Cash and bank balances		**62,043**	184,686	50,812
Investment deposits	17.3	**822,000**	822,000	822,000
Financial assets at FVTOCI	17.7	**226,598**	302,507	532,196
Takaful contract assets	17.5	**-**	-	203
Reinsurance contract assets	17.6	**3,838,708**	3,903,147	4,941,385
Amount due from shareholders	15	**413,568**	587,523	1,724,863
Other assets		**238,086**	208,775	56,544
Equipment		**19,108**	15,256	45,190
Total assets		**5,620,111**	6,023,894	8,173,193
Liabilities				
Takaful contract liabilities	17.5	**6,498,851**	7,184,764	9,182,508
Reinsurance contract liabilities	17.6	**154,303**	836,666	741,222
Other liabilities	17.8	**2,268,052**	1,425,457	2,784,643
Total liabilities		**8,921,206**	9,446,887	12,708,373
Policyholders' fund				
Net deficit for policyholders at the beginning of the year – (as restated) (refer note 4.1)		**(2,593,938)**	(3,935,814)	(3,268,970)
Net surplus from Takaful operations for the year (12)		**197,807**	1,341,876	(666,844)
Total net deficit from insurance operations	17.9	**(2,396,131)**	(2,593,938)	(3,935,814)
Fair value reserve		**(829,055)**	(599,366)	(494,609)
Change in fair value during the year		**(75,909)**	(229,689)	(104,757)
		(904,964)	(829,055)	(599,366)
Total policyholders' fund at the end of year	17.9	**(3,301,095)**	(3,422,993)	(4,535,180)
Total liabilities and policyholders' fund		**5,620,111**	6,023,894	8,173,193

17.3 In accordance with Kuwaiti law, an amount of KD822,000 (31 December 2022: KD822,000) has been retained as investment deposits with a Kuwaiti financial institution. The effective profit rate on the deposits during the period was 4.06% (31 December 2022:1.45 %).

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

17.4 Takaful and Reinsurance contracts held

The breakdown of groups of takaful contarcts and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	31 Dec. 2023			31 Dec. 2022 (restated)		
	Assets	**Labilities**	**Net**	Assets	Labilities	Net
	KD	**KD**	**KD**	KD	KD	KD
Takaful contracts issued						
General	**-**	**(4,128,756)**	**(4,128,756)**	-	(5,094,844)	(5,094,844)
Motor	**-**	**(1,064,216)**	**(1,064,216)**	-	(268,251)	(268,251)
Medical and life	**-**	**(1,305,879)**	**(1,305,879)**	-	(1,821,669)	(1,821,669)
Total	**-**	**(6,498,851)**	**(6,498,851)**	-	(7,184,764)	(7,184,764)
Reinsurance contracts held						
General	**2,264,784**	**-**	**2,264,784**	3,566,734	-	3,566,734
Motor	**1,274,144**	**-**	**1,274,144**	-	(836,666)	(836,666)
Medical and life	**299,780**	**(154,303)**	**145,477**	336,413	-	336,413
	3,838,708	**(154,303)**	**3,684,405**	3,903,147	(836,666)	3,066,481

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

17.5 Takaful contract assets and Takaful contract liabilities

The following reconciliations that are required by IFRS 17 are included below, for takaful contracts. Reconciliation of the liability for remaining coverage and the liability for incurred claims – applicable to contracts measured under the PAA.

31 December 2023	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Present Value of Cash flows	Risk Adjustment	KD
	KD	KD	KD	KD	
Takaful contract assets as at 1 January 2023	-	-	-	-	-
Takaful contract liabilities as at 1 January 2023	(439,668)	-	(5,818,300)	(926,796)	(7,184,764)
Net Takaful contract liabilities as at 1 January 2023	(439,668)	-	(5,818,300)	(926,796)	(7,184,764)
Takaful revenue	3,983,579	-	-	-	3,983,579
Takaful service expenses					
New claims incurred over the year	-	-	(1,050,335)	(30,088)	(1,080,423)
Incured claims settled during the year	-	-	(137,880)	-	(137,880)
Increase in incurred claim liability	-	-	3,106,189	815,884	3,922,073
Claims and expenses paid	-	-	(2,022,996)	-	(2,022,996)
Release for incurred claims expected over the year	-	-	137,880	-	137,880
Amortisation of insurance acquisition cash flows	(247,427)	-	-	-	(247,427)
Total Takaful service expenses	(247,427)	-	32,858	785,796	571,227
Takaful service result before reinsurance contracts held	3,736,152	-	32,858	785,796	4,554,806
Insurance finance expenses	-	-	22,435	-	22,435
Total Takaful recognised in profit or loss	3,736,152	-	55,293	785,796	4,577,241
Cash flows					
Premiums received	(6,065,896)	-	-	-	(6,065,896)
Claims and other expenses paid including investment component	-	-	2,022,996	-	2,022,996
Total cash flows	(6,065,896)	-	2,022,996	-	(4,042,900)
Additional items					
Deferred acquisition costs of cash flow	151,572	-	-	-	151,572
Total additional items	151,572	-	-	-	151,572
Takaful contract liabilities as at 31 December 2023	(2,617,840)	-	(3,740,011)	(141,000)	(6,498,851)
Takaful contract assets as at 31 December 2023	-	-	-	-	-
Takaful contract liabilities as at 31 December 2023	(2,617,840)	-	(3,740,011)	(141,000)	(6,498,851)
Net Takaful contract liabilities as at 31 December 2023	(2,617,840)	-	(3,740,011)	(141,000)	(6,498,851)

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

17.5 Takaful contract assets and Takaful contract liabilities (continued)

31 December 2022 (restated)	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Present Value of Cash flows	Risk Adjustment	KD
	KD	KD	KD	KD	
Takaful contract assets as at 1 January 2022	203	-	-	-	203
Takaful contract liabilities as at 1 January 2022	(440,524)	-	(7,541,626)	(1,200,358)	(9,182,508)
Net Takaful contract liabilities as at 1 January 2022	(440,321)	-	(7,541,626)	(1,200,358)	(9,182,305)
Takaful revenue	3,482,879	-	-	-	3,482,879
Takaful service expenses					
New claims Incurred over the year	-		(1,660,141)		(1,660,141)
Increase in incurred claim liability	-	-	1,277,914	243,520	1,521,434
Amortisation of insurance acquisition cash flows	(413,942)	-	-	-	(413,942)
Total Takaful service expenses	(413,942)	-	(382,227)	243,520	(552,649)
Takaful service result before reinsurance contracts held	3,068,937	-	(382,227)	243,520	2,930,230
Insurance finance expenses	-	-	188,749	30,042	218,791
Total Takaful recognised in profit or loss	3,068,937	-	(193,478)	273,562	3,149,021
Cash flows					
Premiums received	(3,456,917)	-	-	-	(3,456,917)
Claims and other expenses paid including investment component		-	1,916,804	-	1,916,804
Acquisition cash flows paid	388,633	-	-	-	388,633
Total cash flows	(3,068,284)	-	1,916,804	-	(1,151,480)
Takaful contract liabilities as at 31 December 2022	(439,668)	-	(5,818,300)	(926,796)	(7,184,764)
Takaful contract assets as at 31 December 2022	-	-	-	-	-
Takaful contract liabilities as at 31 December 2022	(439,668)	-	(5,818,300)	(926,796)	(7,184,764)
Net Takaful contract liabilities as at 31 December 2022	(439,668)	-	(5,818,300)	(926,796)	(7,184,764)

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

17.6 Reinsurance contract assets and reinsurance contract held liabilities

The following reconciliations that are required by IFRS 17 are included below, forreinsurance contracts held. Reconciliation of the liability for remaining coverage and the liability for incurred claims – applicable to contracts measured under the PAA.

31 December 2023	Remaining Coverage Component		Incurred claims for contracts under the PAA		Total
	Excluding loss component	Loss component	Present Value of Cash flows	Risk Adjustment	KD
	KD	KD	KD	KD	
Reinsurance contract assets as at 1 January 2023	(2,075,255)	-	5,186,964	791,438	3,903,147
Reinsurance contract liabilities as at 1 January 2023	(59,137)	-	(674,597)	(102,932)	(836,666)
Net reinsurance contract assets as at 1 January 2023	**(2,134,392)**	**-**	**4,512,367**	**688,506**	**3,066,481**
Reinsurance expenses	(2,254,102)	-	-	-	(2,254,102)
New claims incurred over the year	-	-	1,120,685	21,672	1,142,357
Incured claims settled during the year	-	-	(1,501,303)	-	(1,501,303)
Increase in incurred claim liability	-	-	(1,901,235)	(531,039)	(2,432,274)
Claims and expenses paid	-	-	(529,796)	-	(529,796)
Release for Incurred claims expected over the year	-	-	1,501,303	-	1,501,303
Amortisation of insurance acquisition cash flows	438,477	-	-	-	438,477
Net expenses from reinsurance contracts held	**(1,815,625)**	**-**	**(1,310,346)**	**(509,367)**	**(3,635,338)**
Reinsurance finance income	-		(15,861)	-	(15,861)
Total amounts recognised in profit or loss	**(1,815,625)**		**(1,326,207)**	**(509,367)**	**(3,651,199)**
Cash flows					
Premiums received	4,069,017	-	-	-	4,069,017
Claims & other expenses paid, including investment component	-	-	529,796	-	529,796
Acquisition cash flows paid	-	-	-	-	
Total cash flows	**4,069,017**	**-**	**529,796**	**-**	**4,598,813**
Additional items					
Deferred acquisition costs of cash flow	(329,690)	-	-	-	(329,690)
Total additional items	(329,690)	-	-	-	(329,690)
Reinsurance contract assets as at 31 December 2023	**(210,690)**	**-**	**3,715,956**	**179,139**	**3,684,405**
Reinsurance contract assets as at 31 December 2023	(56,387)	-	3,715,956	179,139	3,838,708
Reinsurance contract liabilities as at 31 December 2023	(154,303)	-	-	-	(154,303)
Net reinsurance contract assets as at 31 December 2023	**(210,690)**	**-**	**3,715,956**	**179,139**	**3,684,405**

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

17.6 Reinsurance contract assets and reinsurance contract liabilities (continued)

31 December 2022 (restated)	Remaining Coverage Component		Incurred claims for contracts under the PAA		Total
	Excluding loss component	Loss component	Present Value of Cash flows	Risk Adjustment	KD
	KD	KD	KD	KD	
Reinsurance contract assets as at 1 January 2022	(318,779)	-	4,544,195	715,969	4,941,385
Reinsurance contract liabilities as at 1 January 2022	(825,171)	-	72,422	11,527	(741,222)
Net reinsurance contract assets as at 1 January 2022	(1,143,950)	-	4,616,617	727,496	4,200,163
Reinsurance expenses	(1,622,175)	-	-	-	(1,622,175)
New claims incurred over the year	-	-	197,670	-	197,670
Increase in incurred claim liability	-	-	544,229	(38,990)	505,239
Net income/(expenses) from reinsurance contracts held	(1,622,175)	-	741,899	(38,990)	(919,266)
Reinsurance finance income	-	-	(73,857)	-	(73,857)
Total amounts recognised in profit or loss	(1,622,175)	-	668,042	(38,990)	(993,123)
Cash flows					
Premiums Received	631,733	-	-	-	631,733
Claims and other expenses paid including investment component	-	-	(772,292)	-	(772,292)
Acquisition Cash Flows Paid	-	-	-	-	-
Total cash flows	631,733	-	(772,292)	-	(140,559)
Reinsurance contract assets as at 31 December 2022	(2,134,392)	-	4,512,367	688,506	3,066,481
Reinsurance contract assets as at 31 December 2022	(2,075,255)	-	5,186,964	791,438	3,903,147
Reinsurance contract liabilities as at 31 December 2022	(59,137)	-	(674,597)	(102,932)	(836,666)
Net reinsurance contract assets as at 31 December 2022	(2,134,392)	-	4,512,367	688,506	3,066,481

Notes to the consolidated financial statements (continued)

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

17.7 Investments at fair value through other comprehensive income:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Local unquoted securities	**226,598**	302,507
	226,598	302,507

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 FVTOCI 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.

17.8 Other liabilities:

	31 Dec. 2023 KD	(Restated)31 Dec. 2022 KD
Provision for employees' end of service benefits	**375,808**	345,584
Provision for staff leave	**210,254**	202,769
Accrued expenses	**100,251**	114,334
Provision for legal payables	**-**	250,000
Other liabilities	**1,581,739**	512,770
	2,268,052	1,425,457

17.9 Movement in policyholders' fund:

	31 Dec. 2023 KD	(Restated) 31 Dec. 2022 KD
Balance at beginning of the year	**(3,049,006)**	(3,268,970)
Impact on initial application of IFRS 17	**455,068**	(666,844)
Net deficit for policyholders (as restated)	**(2,593,938)**	(3,935,814)
Net surplus from insurance operations for the year	**197,807**	1,341,876
	(2,396,131)	(2,593,938)
Fair value reserve at the beginning of the year	**(829,055)**	(599,366)
Change in fair value during the year	**(75,909)**	(229,689)
	(904,964)	(829,055)
Balance at the end of the year	**(3,301,095)**	(3,422,993)

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.

	31 Dec. 2023 KD	31 Dec. 2022 KD
SHAREHOLDERS		
Consolidated statement of financial position:		
Due from related parties	**5,864,311**	613,773
Due from related parties (included within other assets)	**12,646**	72,863

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 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**	26,000
Investment fees	**53,479**	34,815
Loss from legal claim (note 20)	**268,543**	-
Gain on disposal of assets held for sale (note 11)	**171,093**	-
Key management compensation:		
Salaries and other short-term benefits	**63,284**	58,002
Committees members remuneration	**31,500**	30,500
End of service benefits	**4,041**	3,950
	98,825	92,452
Consolidated statement of changed in equity:		
Gain on sale of investment at FVTOCI (included within equity) (note 9)	**320,312**	15,163

*Certain assets (FVTOCI investments, investment properties and assets held for sale) are held in the name of related parties as explained in note 9, 10 and 11 respectively.

Notes to the consolidated financial statements (continued)

18 Related party balances and transactions (continued)

POLICYHOLDERS	31 Dec. 2023 KD	(Restated) 31 Dec. 2022 KD
Statement of assets, liabilities and fund:		
Takaful contract liablities	**119,106**	131,112
	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Statement of policyholders' results:		
Takaful revenue	**581,421**	555,057
Rental expenses	**74,380**	71,575
Key management compensation:		
Salaries and other short-term benefits	**189,853**	174,067
End of service benefits	**12,124**	11,850
	201,977	185,917

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:

	Investment KD	Takaful insurance KD	Unallocated KD	Total KD
Shareholders				
Year ended at 31 December 2023				
Segment income	**239,436**	-	**16,228**	**255,664**
Profit/(loss) for the year before NLST and Zakat	**185,957**	-	**(416,747)**	**(230,790)**
As at 31 December 2023				
Total assets	**4,225,931**	**2,396,131**	**6,126,639**	**12,748,701**
Total liabilities	**-**	**(2,396,131)**	**(668,231)**	**(3,064,362)**
Net assets	**4,225,931**	**-**	**5,458,408**	**9,684,339**
Shareholders				
Year ended at 31 December 2022				
Segment income	240,625	-	110,000	350,625
Profit/(loss) for the year NLST and Zakat	185,585	-	(40,015)	145,570
As at 31 December 2022 (restated)				
Total assets	9,538,278	2,593,938	700,218	12,832,434
Total liabilities	-	(2,593,938)	(994,512)	(3,588,450)
Net assets/(liabilities)	9,538,278	-	(294,294)	9,243,984

19 Segmental analysis (continued)

	Investment KD	Takaful insurance KD	Unallocated KD	Total KD
Policyholders				
Year ended at 31 December 2023				
Takaful revenue	**-**	**3,983,579**	**-**	**3,983,579**
Reinsurance service results	**-**	**(3,635,338)**	**-**	**(3,635,338)**
Net surplus/(deficit) for the year	**50,655**	**926,042**	**(778,890)**	**197,807**
As at 31 December 2023				
Total assets	**1,048,598**	**3,838,708**	**732,805**	**5,620,111**
Total liabilities	**-**	**(6,653,154)**	**(2,268,052)**	**(8,921,206)**
Net assets/(liabilities)	**1,048,598**	**(2,814,446)**	**(1,535,247)**	**(3,301,095)**
Policyholders				
Year ended at 31 December 2022 (restated)				
Takaful revenue	-	3,482,879	-	3,482,879
Reinsurance service results	-	(919,266)	-	(919,266)
Net surplus/(deficit) for the year	10	2,240,092	(898,226)	1,341,876
As at 31 December 2022				
Total assets	1,124,507	3,903,147	996,240	6,023,894
Total liabilities	-	(8,021,430)	(1,425,457)	(9,446,887)
Net assets/(liabilities)	1,124,507	(4,118,283)	(429,217)	(3,422,993)

20 Loss from legal claim and contingent liabilities

Legal claim paid - Shareholders

During the year the Group paid an amount of KD268,543 on behalf its representative on the board of directors of its associate, Weqaya Takaful Insurance and Reinsurance Company for the legal financial damages incurred by them. The amount has been included in the general and administrative expenses.

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 to cover any resultant liabilities. During the current year, the Group has settled an amount of KD 234,410 as legal settlement and the required provision was already made in the previous year.

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.

21 Risk management objectives and policies (continued)

(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.

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 2022: 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 KD 13,000,000 (31 December 2022: 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 KD 400,000 (31 December 2022: 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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

(1) **Non-life insurance contracts (continued)**

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).

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 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.

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.

(3) Sensitivity analysis for contracts measured under PAA

Assumptions made by the Group with regard to underwriting risk variables will impact LIC and profit or loss and equity before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA and, thus, only the LIC component of takaful liabilities is sensitive to possible changes in underwriting risk variables. However, a reasonable possible change in best estimate reserve by (5%), risk adjustment by (5%) and yield curve by (50bps) would not have a significant impact on the net takaful/reinsurance contract liabilities of the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

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.

22.1 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.

	31 Dec. 2023 KD	(Restated) 31 Dec. 2022 KD
SHAREHOLDERS		
Bank balances	**232,450**	4,297
Short term deposit	**439,000**	439,000
Due from Parent Company	**5,864,311**	613,773
Other assets	**29,878**	82,148
	6,565,639	1,139,218
POLICYHOLDERS		
Bank balances	**62,043**	184,686
Investment deposits	**822,000**	822,000
Reinsurance contract assets	**3,838,708**	3,903,147
Amount due from shareholders	**413,568**	587,523
Other assets	**238,086**	208,775
	5,374,405	5,706,131

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.

21 Risk management objectives and policies (continued)

21.1 Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2023 and 31 December 2022, 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 2023				
SHAREHOLDERS				
Bank balances	**232,450**	**-**	**-**	**232,450**
Short term deposit	**439,000**	**-**	**-**	**439,000**
Due from Parent Company	**-**	**5,864,311**	**-**	**5,864,311**
Other assets	**-**	**29,878**	**-**	**29,878**
	671,450	**5,894,189**	**-**	**6,565,639**
POLICYHOLDERS				
Bank balances	**62,043**	**-**	**-**	**62,043**
Investment deposits	**822,000**	**-**	**-**	**822,000**
Reinsurance contract assets	**-**	**3,838,708**	**-**	**3,838,708**
Amount due from shareholders	**-**	**413,568**	**-**	**413,568**
Other assets	**-**	**238,086**	**-**	**238,086**
	884,043	**4,490,362**	**-**	**5,374,405**
31 December 2022 (Restated)				
SHAREHOLDERS				
Bank balances	4,297	-	-	4,297
Short term deposit	439,000	-	-	439,000
Due from Parent Company	-	613,773	-	613,773
Other assets	-	82,148	-	82,148
	443,297	695,921	-	1,139,218
POLICYHOLDERS				
Bank balances	184,686	-	-	184,686
Investment deposits	822,000	-	-	822,000
Reinsurance contract assets	-	3,903,147	-	3,903,147
Amount due from shareholders	-	587,523	-	587,523
Other assets	-	208,775	-	208,775
	1,006,686	4,699,445	-	5,706,131

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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

21.2 Liquidity risk (continued)

Maturity profile of financial assets and financial liabilities at 31 December 2023 and 31 December 2022:

	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 2023						
SHAREHOLDERS						
Assets						
Bank balances	232,450	-	-	232,450	-	232,450
Term Deposit	-	-	439,000	439,000	-	439,000
Financial assets at FVTOCI	-	-	-	-	2,891,244	2,891,244
Due from Parent Company	-	-	-	-	5,864,311	5,864,311
Other assets	-	-	29,878	29,878	-	29,878
	232,450	-	468,878	701,328	8,755,555	9,456,883
Liabilities						
Amount due to policyholders	-	-	-	-	413,568	413,568
Other liabilities	30,559	76,399	134,971	241,929	12,734	254,663
	30,559	76,399	134,971	241,929	426,302	668,231
Net exposure	201,891	(76,399)	333,907	459,399	8,329,253	8,788,652
31 December 2023						
POLICYHOLDERS (restated)						
Assets						
Cash and bank balances	62,043	-	-	62,043	-	62,043
Investment deposits	-	-	-	-	822,000	822,000
Financial assets at FVTOCI	-	-	-	-	226,598	226,598
Reinsurance contract assets	767,741	1,535,483	959,677	3,262,901	575,807	3,838,708
Amount due from shareholders	-	-	-	-	413,568	413,568
Other assets	-	-	-	-	238,086	238,086
	829,784	1,535,483	959,677	3,324,944	2,276,059	5,601,003
Liabilities						
Takaful contract liabilities	974,827	1,624,713	2,599,540	5,199,080	1,299,771	6,498,851
Reinsurance contract liabilities	-	-	154,303	154,303	-	154,303
Other liabilities	453,610	907,221	680,416	2,041,247	226,805	2,268,052
	1,428,437	2,531,934	3,434,259	7,394,630	1,526,576	8,921,206
Net exposure	(598,653)	(996,451)	(2,474,582)	(4,069,686)	749,483	(3,320,203)

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 2022 (restated)						
SHAREHOLDERS						
Assets						
Bank balances	4,297	-	-	4,297	-	4,297
Term Deposit	-	-	439,000	439,000	-	439,000
Financial assets at FVTOCI	-	-	-	-	5,043,702	5,043,702
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	5,657,475	6,182,920
Liabilities						
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	605,965	994,512
Net exposure	(44,429)	(101,088)	282,415	136,898	5,051,510	5,188,408
31 December 2022 (resated)						
POLICYHOLDERS						
Assets						
Cash and bank balances	184,686	-	-	184,686	-	184,686
Investment deposits	-	-	-		822,000	822,000
Financial assets at FVTOCI	-	-	-		302,507	302,507
Reinsurance contract assets	780,629	1,561,259	975,787	3,317,675	585,472	3,903,147
Amount due from shareholders	-	-	-	-	587,523	587,523
Other assets	-	-	208,775	208,775	-	208,775
	965,315	1,561,259	1,184,562	3,711,136	2,297,502	6,008,638
Liabilities						
Takaful contract liabilities	1,077,715	1,796,191	2,873,906	5,747,812	1,436,952	7,184,764
Reinsurance contract liabilities	125,450	209,166	334,666	669,282	167,384	836,666
Other liabilities	213,818	356,364	570,183	1,140,365	285,092	1,425,457
	1,416,983	2,361,721	3,778,755	7,557,459	1,889,428	9,446,887
Net exposure	(451,668)	(800,462)	(2,594,193)	(3,846,323)	408,074	(3,438,249)

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.

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. 2023 KD	(Restated) 31 Dec. 2022 KD
Shareholders' assets and liabilities		
Financial assets:		
At amortised cost:		
- Bank balances	**232,450**	4,297
- Short term deposit	**439,000**	439,000
- Due from Parent Company	**5,864,311**	613,773
- Other assets	**29,878**	82,148
Financial assets at fair value:		
Investments at fair value through other comprehensive income	**2,891,244**	5,043,702
	9,456,883	6,182,920
Financial liabilities:		
Financial liabilities at amortised cost:		
Amount due to policyholders'	**413,568**	587,523
Other liabilities	**254,663**	406,989
	668,231	994,512
Policyholders' assets and liabilities		
Financial assets:		
At amortised cost:		
Cash and bank balances	**62,043**	184,686
Investment deposits	**822,000**	822,000
Reinsurance contract assets	**3,838,708**	3,903,147
Amount due from shareholders	**413,568**	587,523
Other assets	**238,086**	208,775
Financial assets at fair value:		
Financial assets at FVTOCI	**226,598**	302,507
	5,601,003	6,008,638
Financial liabilities:		
Financial liabilities at amortised cost:		
Takaful contract liabilities	**6,498,851**	7,184,764
Reinsurance contract liabilities	**154,303**	836,666
Other liabilities	**2,268,052**	1,425,717
	8,921,206	9,447,147

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 2023

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
SHAREHOLDERS				
Investments at fair value through other comprehensive income				
Foreign unquoted securities	-	-	2,891,244	2,891,244
	-	-	2,891,244	2,891,244
POLICYHOLDERS				
Investments at fair value through other comprehensive income				
Local unquoted securities	-	-	226,598	226,598
	-	-	226,598	226,598

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

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

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. 2023 KD	31 Dec. 2022 KD	**31 Dec. 2023 KD**	31 Dec. 2022 KD
Opening balance	**5,043,702**	4,799,030	**302,507**	532,196
Disposals during the year	**(2,823,603)**	(794,639)	**-**	-
Change in fair value	**671,145**	1,039,311	**(75,909)**	(229,689)
Closing balance	**2,891,244**	5,043,702	**226,598**	302,507

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.

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. 2023 KD	31 Dec. 2022 KD
(Loss)/profit for the year	**(230,790)**	140,475
Total equity	**9,684,339**	9,243,984
Return on equity	**(2%)**	1.5%