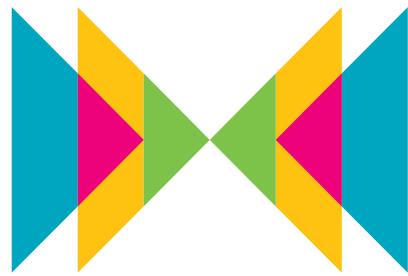


الأولى تكافل
FIRST TAKAFUL

2024



ANNUAL REPORT



الأولى تكافل FIRST TAKAFUL

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

For All That Matters • كل ما هو مهم



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





His Highness the Crown Prince
Sheikh Sabah Al-Khaled Al-Hamad 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 peace and blessings be upon the Master of Messengers, his family, and all his companions.

Dear Shareholders

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

On my own behalf and on behalf of the honorable members of the Board of Directors, I am pleased to extend to you all my sincere thanks and gratitude for accepting our invitation to attend the Company's Ordinary General Assembly Meeting for the fiscal year ending December 31, 2024. I, along with my fellow members of the Board of Directors, am also honored to present to you the annual report on the Company's business results and achievements, its financial statements, the governance report, the Audit Committee report, the remuneration and benefits report, and the Fatwa and Sharia Supervisory Board report.

Dear Shareholders:

First Takaful is confident that the approach it has adopted over the past years—refining its insurance portfolios, avoiding negative competition, and strengthening capital reserves and technical allocations for shareholders' and policyholders' portfolios, with the goal of enhancing the company's financial solvency—will enable it to face challenges with steady, determined steps toward achieving its desired goals in the fu-

ture, despite the region's critical upheavals and the pivotal changes taking place in many political and economic spheres. This requires careful consideration when making crucial decisions, given the numerous constraints hampering the acceleration of the global economic cycle. Despite all of this, First Takaful maintained its integrated strategy throughout 2024, striving to select the best insurance subscriptions with the aim of enhancing the company's efficiency and ability to compete in the market and provide distinguished service to its customers.

Corporate Governance and Social Responsibility

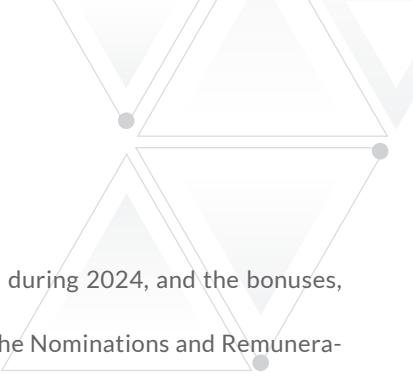
First Takaful has continued its leadership through its outstanding performance over the past years, as well as through its implementation of all laws and regulatory decisions issued by the Insurance Regulatory Unit, the Capital Markets Authority, and Boursa Kuwait. It also adheres to internal control policies, risk management, procedures, authorities, and principles of good governance, and implements the Tax Compliance Law. It also adheres fully to the provisions of Islamic Sharia in its insurance, reinsurance, and investment dealings. First Takaful has been committed 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-six periodic bulletins by 2024 to increase insurance awareness in the Kuwaiti insurance market.

First Takaful has set its sights on fulfilling its social responsibility, as the company has taken the initiative to contribute to and support many national health, charitable and educational activities. In appreciation and recognition of the services rendered to the elderly, the company held a group Iftar banquet for Dar Farah for the Elderly, and also organized a Gargeean celebration for the children of the Family Nursery (for orphaned children).

Shareholder Results:

First Takaful incurred a loss of KWD 181,655 in 2024, compared to a loss of KWD 230,790 in 2023, a decrease of 21.29%. This decrease was due to a decrease in general expenses, particularly legal expenses related to the Weqaya Insurance and Reinsurance Company - Saudi Arabia cases. The loss per share was 1.7 fils in 2024, compared to a loss per share of 2.17 fils in 2023. Shareholders' equity for the current year reached KWD 9,572,489, compared to KWD 9,684,339 in the previous year, a decrease of 1.15%. Total shareholders' assets for the current year reached KWD 12,773,491, compared to KWD 13,315,745 in the previous year, a decrease of 4.07%.

It is worth noting that during 2024, First Takaful Insurance Company was subject to a warning penalty, issued by Resolution No. 27 of 2024, for failing to disclose to the Kuwait Stock Exchange the decision issued by the Committee for the Resolution of Securities Disputes in the Kingdom of Saudi Arabia, which resulted in a decision against some members of the Board of Directors and employees of an affiliated company.



The remuneration of the Board of Directors, the attendance bonus for its committees during 2024, and the bonuses, benefits, and monthly salaries received by the executive management are attached to the Nominations and Remuneration Committee's report in the annual report for your information.

Policyholders' Portfolio Results:

The company has continued its approach of carefully selecting increased subscriptions, strengthening its relationships with its customers, and refining its insurance portfolio to avoid any future losses amidst the fierce competition among insurance companies. The company also focuses on continuously developing modern technology systems to serve its customers and shareholders. Despite the fierce competition in the local insurance market, First Takaful has, thankfully, been able to maintain its position in the Kuwaiti market. All reinsurance agreements were renewed during the year. Underwritten subscriptions for the fiscal year 2024 amounted to KWD 6,045,156, compared to KWD 6,172,715 achieved in the fiscal year 2023, a decrease of KWD 127,559. This decrease in subscription value was attributed to the completion of some oil sector projects in which First Takaful had a stake, which resulted in the cessation of insurance coverage for these projects.

The insurance policyholders' portfolio for 2024 recorded an insurance deficit of KWD 90,428, compared to an insurance deficit of KWD 369,237 in 2023, a 75.5% decrease in losses. This decrease in losses is due to improved underwriting policies, particularly health insurance policies.

Dear Shareholders:

Our company continues to make further efforts to achieve positive results and strengthen its market share in the insurance sector by providing better service to its customers.

First Takaful is committed to developing human resources, considering that a trained and qualified human element is the cornerstone for maintaining the company's strength and integrity, and the foundation for the success of its development strategy. Accordingly, the company continues to focus on training and developing the administrative and technical skills of all its employees to advance the company's technical, financial, administrative and supervisory work, and to create a second and third rank qualified to lead the company in the future.

Insurance Supervision

The establishment of the Insurance Regulatory Unit has led to a significant improvement in the performance of operating companies and a reduction in negative competition between them. The unit's role includes supervising and monitoring the insurance sector, enacting decisions, enacting laws, and imposing fines and violations to limit violations and manipulation by some companies. However, there is still much work to be done by the unit to advance the Kuwaiti

insurance market to keep pace with its counterparts in neighboring countries and global insurance markets, particularly with regard to regulating the market in terms of pricing, reviewing the licenses granted to some insurance companies, and obligating companies to adhere to a certain level of customer service. This is to improve the quality and overall appearance of the local insurance market.

Acknowledgments:

In conclusion, we ask God Almighty to grant us success in achieving our aspirations for the good of our beloved country, the company, and our esteemed shareholders, under the leadership and guidance of His Highness the Amir, His Highness the Crown Prince, and His Highness the Prime Minister, may God protect and preserve them. We also extend our thanks to the shareholders, the members of the Sharia Supervisory Board, the executive management, the company's employees, the Insurance Department at the Ministry of Commerce and Industry, the Capital Markets Authority, Boursa Kuwait, and the company's clients. We also express our gratitude to the reinsurance brokers and brokers, and all other relevant authorities. We pray to God Almighty to guide us to further progress and prosperity.

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



Abdullah Abdulrazzaq Al-Asfour

Chairman of the Board of Directors

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



Bader Jassim Alhajeri

Board Member - Non-Executive Member



Rami Habli

Board Member - Non-Executive Member



Bandar Suleiman Al-Jarallah

Board Member - Non-Executive Member



Saleh Al-Tnaib

Board Member- Non-Executive Member



Osama Abdul Latif Al Abdul Jalil

Board Member - Non-Executive Member



Malik Salim Oraikat

Secretary of the Board





Fatwa and Shari'a Supervisory Board Report

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

The Fatwa and Shari'a Supervisory Board of First Takaful Insurance Company KSPC is pleased to submit to you its report on the company's transactions and operations for the financial year ended 31/12/2024 for presentation to the company's general assembly.

Based on the testimony of the Chairman of the Commission delegated by it to monitor and follow up all the company's business from the legal point of view, His Eminence Sheikh Dr. Anwar Shuaib Abdul Salam, and what was presented to the Commission in terms of transactions and operations in the field of Takaful insurance, including Takaful insurances, products, investments and contracts, the Commission considers that it is in accordance with its decisions and recommendations. And so we sign.

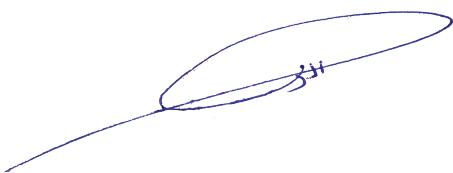
Finally, we ask the Almighty Allah to help the company's management and employees achieve success in their work, ensuring the validity of the processes and accuracy of implementation in line with Sharia law.

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

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



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



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



Sheikh Dr. Essam El Ghareeb
Member 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



Sheikh 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: 12/03/2025

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.



Official Stamp

Kuwait: 12/03/2025

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

Signature

A handwritten signature in blue ink, appearing to be in cursive script, representing the signature of Hussain Ali Al-Attal.

V.P Finance & Administraion:
Malik Salim Oraikat

Signature

A handwritten signature in blue ink, appearing to be in cursive script, representing the signature of Malik Salim Oraikat.



GOVERNANCE

Governance Committee Members:



Abdullah Abdul Razzaq Al Asfour
Head of the Committee



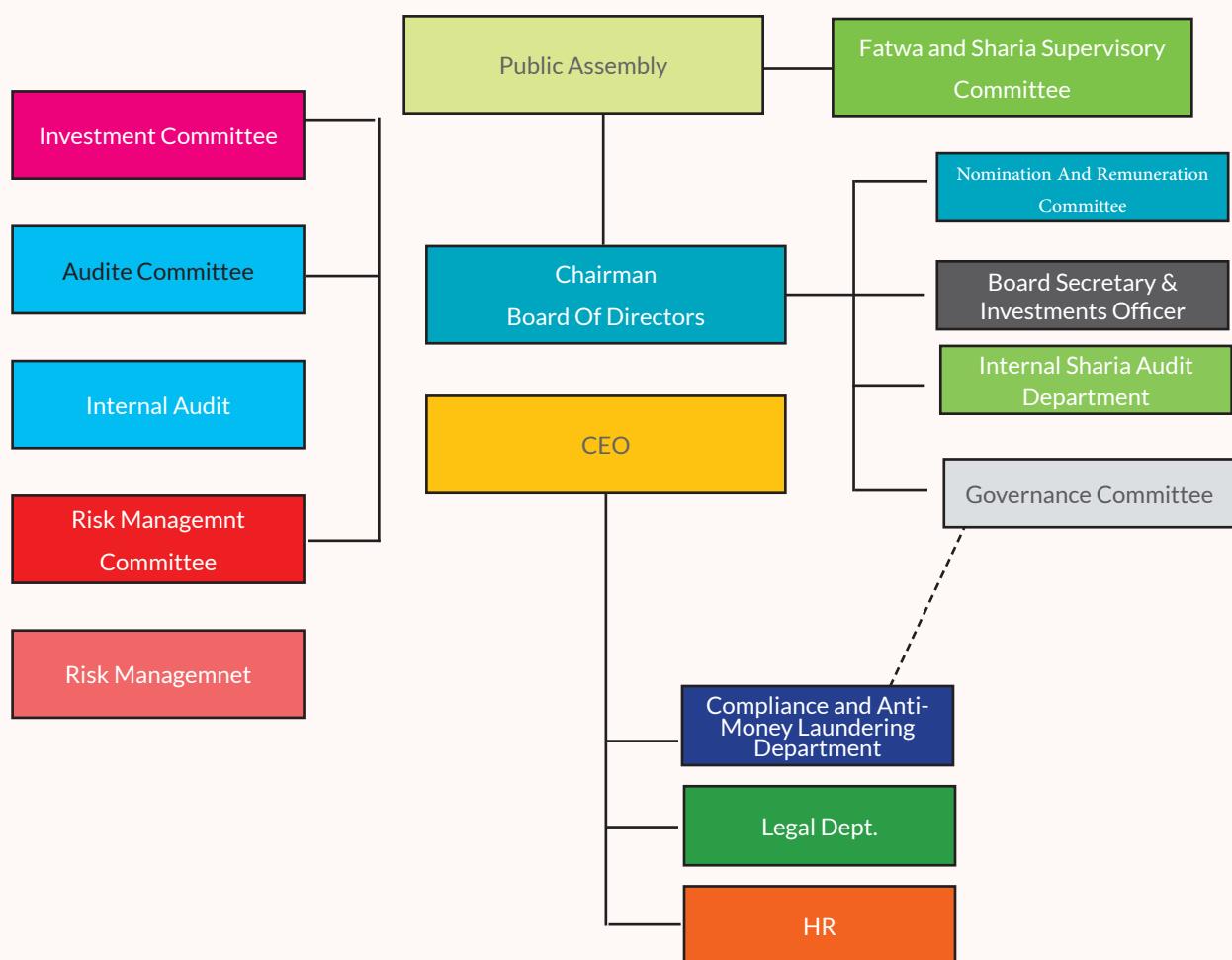
Hussain Ali Al-Attal
Committee Member



Osama Abdul Latif Al Abdul Jalil
Committee Member

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 / appointment date
Abdullah Abdul Razzaq Al Asfour	Chairman of the Board - Non-Executive Member	-Bachelor of Accounting - Experience more than 30 years	April 28, 2022
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 2024:

Member name /title	Meeting no. (1/2024) Dated 28/03/2024	Meeting no. (2/2024) Dated 14/05/2024	Meeting no. (3/2024) Dated 07/08/2024	Meeting no. (4/2024) Dated 16/10/2024	Meeting no. (5/2024) Dated 05/11/2024	Meeting no. (6/2024) Dated 16/12/2024	Number of Meeting	Attendance Percentage
Abdullah Al Asfour Board Chairman	✓	✓	✓	✓	✓	✓	6	100%
Hussain Al-Attal Member of Board	✓	✓	✓	✓	✓	✓	6	100%
Osama Al Abdul Jalil Independent Member	X	✓	X	X	X	X	1	10%
Bandar Suleiman Al-Jarallah Independent Member	✓	✓	✓	✓	✓	✓	6	100%
Saleh Al-Tnaib Member of Board	✓	X	✓	✓	✓	✓	5	80%
Rami Habli Member of Board	✓	✓	✓	✓	✓	✓	6	100%
Bader Alhajeri Member of Board	X	✓	✓	✓	✓	✓	5	80%

"✓" 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 2024:

- The Board of Directors of First Takaful was keen to follow up on the implementation of the 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 focused on applying good governance standards to be the company's way of working, and during the year 2024, several decisions and achievements were issued, the most important of which are the following:
- The minutes of the Board of Directors Meeting No. (10/2023) held on 26/12/2023 were approved.
- The report of the Audit Committee regarding the company's draft financial statements for the fiscal year ending on 31/12/2023 was discussed and approved.
- The company's draft financial statements for the fiscal year ending on 31/12/2023 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 31/12/2023 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 2023 in the amount of KD 197,807 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 of the Ordinary General Assembly for the fiscal year ending on 31/12/2023 was discussed and approved.
- The minutes of the Risk Management Committee meeting No. 01/2024 were approved and the updated risk management policies were approved.
- The minutes of the Audit Committee Meeting No. 01/2024 were approved and the updated Internal Audit Management Policies were also approved.
- The minutes of the Nomination and Remuneration Committee meeting No. 01/2024 were approved.
- The Executive Management's Acknowledgment and Undertaking on the financial reports for the financial year ending 31/12/2023 was approved.
- The Board of Directors' Declaration and Undertaking on the financial reports for the financial year ending on 31/12/2023 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, 2023 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, 2023 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 31/12/2023, prepared by an external audit firm and sent to the Capital Markets Authority - State of Kuwait, was approved.
- The recommendation of the Audit Committee was approved to appoint Ms. Hind Abdullah Al-Sareei - 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, 2024, with the proposal to fix the professional fees as agreed upon, 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 auditing 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.
- The financial and administrative authority matrix for the Human Resources Department was discussed and approved.
- The work plan of the Internal Forensic Audit and Compliance Department was reviewed and approved.
- The internal control systems applied in the company issued by the Internal Audit Department were reviewed and approved.
- Reviewed and approved the insider board of directors' declaration.
- The Independent Director's Declaration was reviewed and approved.
- The results of the evaluation of the members of the Board of Directors, Chief Executive Officer, Board Committees,

Board Secretary and Board Committee Secretaries for 2023 were approved.

- The Investor Affairs Unit Policy was approved.
- The minutes of the Board of Directors Meeting No. (01/2024) held on 28/03/2024 were approved.
- The report of the Audit Committee regarding the draft interim financial statements of the company for the financial period ending on 31/03/2024 was discussed and approved.
- The draft interim financial statements of the company for the financial period ending on 31/03/2024 were approved after adopting the recommendations of the Audit Committee.
- The coverage of the net policyholders' deficit from insurance operations for the financial period ending 31/03/2024 was discussed in line with the company's Articles of Association. The Board of Directors agreed to cover the net insurance deficit for policyholders resulting from insurance activities for the year 2023 in the amount of KD 720,824 to the shareholders' account "Hassan Loan" after adopting the recommendation of the Audit Committee regarding the note on recording an additional provision in the first quarter of 2024 statements submitted by the Executive Vice President for Financial Affairs to the Vice Chairman and Chief Executive Officer. The remainder of the Hassan loan granted by the shareholders will be repaid by the surplus generated from insurance activities in future years.
- The minutes of the Audit Committee Meeting No. 02/2024 were approved and the minutes of the Risk Committee Meeting No. 02/2024 were approved.
- The minutes of the Board of Directors' meeting No. (02/2024) held on 14/05/2024 were approved.
- The report of the Audit Committee regarding the draft interim financial statements of the company for the financial period ending on 30/06/2024 was discussed and approved.
- The draft interim financial statements of the company for the financial period ending on 30/06/2024 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 30/06/2024 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 30/06/2024 in the amount of KD 262,002 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.
- Minutes of the Audit Committee Meeting No. 03/2024 were approved
- The Board discussed the company's solvency margin according to the instructions of the Insurance Regulatory Unit in accordance with Article 23 of Law No. 125 of 2019 on Insurance Regulation, Article 69 and Article 140 of the Executive Regulations. The Board discussed the most prominent developments related to the insurance sector and reviewed the volume of premiums earned and the volume of compensation paid to all insurance departments produced within the company. The Board emphasized the focus and keenness to support the production of general and property insurance activities, including but not limited to (property insurance - marine insurance - aviation insurance - energy insurance - engineering and construction insurance - health insurance - etc...), and given the support of the company's solvency margin, the Board proposed and authorized the relevant Board committees to study the possibility of stopping life insurance activities and fund formation operations, noting that this proposal
- The Legal Department Policies and Procedures Manual has been approved.
- The Stakeholders Policy was approved.
- The internal audit report of the Forensic Audit Department was discussed and approved.
- The Code of Conduct was approved.
- The minutes of the Board of Directors Meeting No. (03/2024) held on 07/08/2024 were approved.
- The item of convening the Ordinary General Assembly was discussed regarding the approval of authorizing the Board of Directors to buy and sell the company's shares (treasury shares) not exceeding 10% of the number of its shares in accordance with the articles of Law No. 7 of 2010 and its executive regulations and their amendments, and this item was approved, as well as the approval of holding an Extraordinary General Assembly regarding the amendment of the Memorandum and Articles of Association for the purposes of the company in line with the United Nations International Classification of Economic Activities according to Ministerial Resolution No. (167) of 2022 which allows the company to purchase the mentioned shares.
- Under the item of Other business that may arise, the CEO informed the members about the decision issued by the Disciplinary Board - Capital Markets Authority in which the warning penalty was imposed on First Takaful Insurance

Company for not disclosing on Boursa Kuwait the decision issued by the Securities Dispute Resolution Committee against some members of the Board of Directors and employees of Weqaya Insurance and Takaful Reinsurance Company and the class action lawsuit filed by some shareholders of Weqaya Insurance and Takaful Reinsurance Company which resulted in the issuance of decisions against them.

- The Disciplinary Board did not pay attention to my defense of the company or to the defense memorandum that I submitted to them during my attendance on 14/10/2024 before the Disciplinary Board in disciplinary case No. 27/2024 Disciplinary Board 17/2024 Authority, and therefore the Board of Directors unanimously decided to accept the violation and not to file a grievance about it.
- The minutes of the Board of Directors Meeting No. (04/2024) held on 16/10/2024 were approved.
- The draft interim financial statements for the financial period ending on 30/09/2024 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 30/09/2024 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 30/09/2024 in the amount of KD 343,952 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 Nomination and Remuneration Policy, Shareholders' Policy, Performance Evaluation and Measurement Manual, and Related Party Policy were approved.
- The Compliance, Compliance and Anti-Money Laundering Report for the year 2024 was discussed and approved.
- The follow-up report of the Compliance, Compliance and Anti-Money Laundering Department for the year 2024 was discussed and approved.
- Under the Other business that may arise, the CEO informed the members that in order to increase the company's insurance premiums, a decision will be issued to pay production commissions to all the company's employees except the CEO and his deputies by 10% for all types of insurance, and he is in the process of paying an incentive commission to producers with a maximum of 3% to increase their production with the company, so the board members decided unanimously to approve the payment of incentive commissions to employees by 10% and the approval of paying an incentive commission to producers with a maximum of 3%.
- The risk management report prepared for the period up to 30-06-2024 was reviewed and discussed and approved, and with regard to item no. 6. 1 in the risk management report related to the solvency margin of the company as instructed by the Insurance Regulatory Unit in accordance with Article 23 of Law No. 125 of 2019 on Insurance Regulation, Article 69 and Article 140 of the Executive Regulations, the recommendation of the Risk Management Committee to give them more time to prepare a special and detailed report on how to enhance the solvency margin of the company in light of the current financial situation in order for the company to practice all its insurance activities was approved.
- The report of the Audit Committee regarding the interim financial statements of the company for the financial period ending on 30/09/2024 was discussed and approved.
- The minutes of the Board of Directors Meeting No. (05/2024) held on 05/11/2024 were approved.
- The estimated budget for the fiscal year 2025 and the work plan for the coming years 2026 - 2029 were discussed and the most important results of the estimated budget are:
 - Expected profit to shareholders for 2025 KD 156,274
 - Expected profit to subscribers for 2025 KD 228,811
 - Expected subscriptions written for 2025 KD 6,565,925
- The report issued by the Insurance Regulatory Unit regarding the statistics of written premiums, paid compensation and compensation under settlement for insurance companies in the State of Kuwait until 30-06-2024 was sent to the members of the Board of Directors.
- The estimated budget for the fiscal year 2025 and the work plan for the coming years 2026 - 2029 were approved by the members present and the Board of Directors wished the company success towards achieving its goals for the year 2025.
- A training program was presented to the Board of Directors on Corporate Governance, Disclosure and Transparency.
- The minutes of the Audit Committee Meeting No. 04/2024 and No. 05/2024 were approved.
- The minutes of the Risk Management Committee Meeting No. 03/2024 and No. 04/2024 were approved.
- The minutes of the Governance Committee Meeting No. 01/2024 were approved. Under the item of New Business, the

following reports and policies were discussed and approved by the Board of Directors: Application Follow-up Report - Internal Audit Department Report Notes for Internal Forensic Audit Department 2024

- Forensic Audit Department Report 2024
- Update Conflict of Interest Policy and Compliance and Compliance Management Policy.
- Report of the Compliance and Compliance Department on the performance of the independent member of the Company's Board of Directors.
- Disclosure and Transparency Policy 2024
- Reporting Policy 2024
- Financial Management Policy 2024
- - Internal Audit Management Policy 2024
- - Corporate Governance Policy 2024
- - Social Responsibility Policy 2024

Summary of key achievements and resolutions adopted by the Annual General Assembly on May 19, 2024:

- **First:** The Board of Directors' report for the fiscal year ending 31/12/2023 was discussed and approved unanimously.
- **Second:** The report of the company's auditor, Mr. Abdul Latif Mohammed Al-Aiban - Mr. Grant Thornton - Al-Qatami, Al-Aiban & Partners for the fiscal year ending on 31/12/2023 was discussed and approved unanimously.
- **Third:** The report of the company's Fatwa and Shari'a Supervisory Board for the fiscal year ending 31/12/2023 was heard and approved unanimously.
- **Fourth:** The financial statements and profit or loss account for the fiscal year ending on 31/12/2023 were discussed and unanimously approved.
- **Fifth:** There were no penalties or violations imposed on the company by the regulatory authorities for the fiscal year ending on 31/12/2023, so this item was approved unanimously.
- **Sixth:** The transactions with related parties that took place during the fiscal year ending December 31, 2023 were unanimously approved and the Board of Directors was authorized to deal with related parties during the fiscal year ending December 31, 2024.
- **Seventh:** The General Assembly unanimously approved the recommendation of the Board of Directors not to distribute dividends for the fiscal year ending December 31, 2023.
- **Eighth:** The Board of Directors proposed not to pay bonuses to its members for the fiscal year ending on December 31, 2023, and the proposal was approved by the Board of Directors owning 57.588% of the company's shares at a dividend of KD 3,000.00/- per share. For a total amount of KD 21,000.00 per member.
- **Ninth:** The Governance Report and the Audit Committee Report for the financial year ending December 31, 2023 were read and unanimously approved.
- **Tenth:** The report on the remuneration and benefits of the Board of Directors and Executive Management for the financial year ending December 31, 2023 was read and unanimously approved.
- **XI:** The members of the Board of Directors were unanimously discharged and released from any liability resulting from the performance of their legal duties for the financial year ending December 31, 2023.
- **XII :** It was unanimously approved to appoint the auditor Ms. Hind Abdullah Al-Sareei from the office of Mr. Grant Thornton - Al-Qatami, Al-Aiban & Partners to audit the company's accounts for the fiscal year ending on 31/12/2024, subject to the mandatory change of auditors and the Board of Directors was authorized to determine its fees.
- **XIII:** It was unanimously approved to reappoint the Sharia Supervisory Board of the Company for the fiscal year ending on 31/12/2024, represented by the Honorable Messrs:

 - A. His Eminence Sheikh Dr. Anwar Shuaib Abdulsalam - Chairman of the Board
 - B. His Eminence Sheikh Dr. Muhammad Abdul Razzaq Al-Tabtabai - Vice Chairman of the Board
 - C. His Eminence Dr. Essam Al-Gharib

The Board of Directors was authorized to determine their fees for the fiscal year ending on 31/12/2024.

Summary of the main achievements and decisions taken by the Ordinary General Assembly on December 15, 2024:

- The Board of Directors was authorized to buy or sell the company's shares (treasury shares) not exceeding 10% of the number of its shares in accordance with the articles of Law No. 7 of 2010 and its executive regulations and their amendments, and this item was unanimously approved.

Summary of the main achievements and resolutions adopted by the Extraordinary General Assembly on December 15, 2024:

- Adoption and ratification of the following resolutions,
- Approval to amend Article No. (5) of the Memorandum of Association and Article No. (4) of the Articles of Association of the First Takaful Insurance Company (in accordance with Ministerial Resolution (167) of 2022 regarding the regularization of companies in accordance with the United Nations International Classification of Economic Activities) Accordingly, this item was approved unanimously.

Text before amendment:

- **First:** The purposes of the company: The purposes of the company are as stated below, provided that all transactions in the company shall be in accordance with the laws and resolutions imposed by the organizing laws and decisions and in a manner that does not conflict with the provisions of Islamic Shari'ah:
 - 1. Engage in Takaful (cooperative) insurance and reinsurance business in all its forms in accordance with Islamic Shari'ah and in a manner not inconsistent with the law.
 - 2. Exploiting the financial surpluses of the company's movable or real estate by investing them in the various fields it deems appropriate and in a manner that does not contradict the laws and decisions on insurance and the provisions of Islamic Sharia.
 - 3. Practicing everything related to insurance and reinsurance business and doing all works that lead directly or indirectly to achieve the goals and objectives of the company in accordance with the provisions of Islamic Sharia and in a manner not inconsistent with the law.
 - 4. Participate in any way with bodies, companies or institutions that engage in business similar to its business or cooperate with it in achieving its objectives anywhere inside or outside Kuwait.
 - 5. Providing technical consultations in the field of insurance and reinsurance to companies or others that are directly interested in the field of Takaful insurance. The company shall have the right to practice the aforementioned works in the State of Kuwait and abroad in an original or proxy capacity.

Text after amendment:

NO.	Code	Name
1	651011	Takaful insurance all types of insurance
2	681091	Owning real estate and movables for the benefit of the company
3	649917	Buying and selling stocks and bonds for the company's account
4	649918	Investing financial surpluses in financial portfolios by investing them in financial portfolios managed by specialized companies and entities
5	660004	Providing administrative and technical services to insurance companies
6	660005	Managing and organizing health insurance

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.

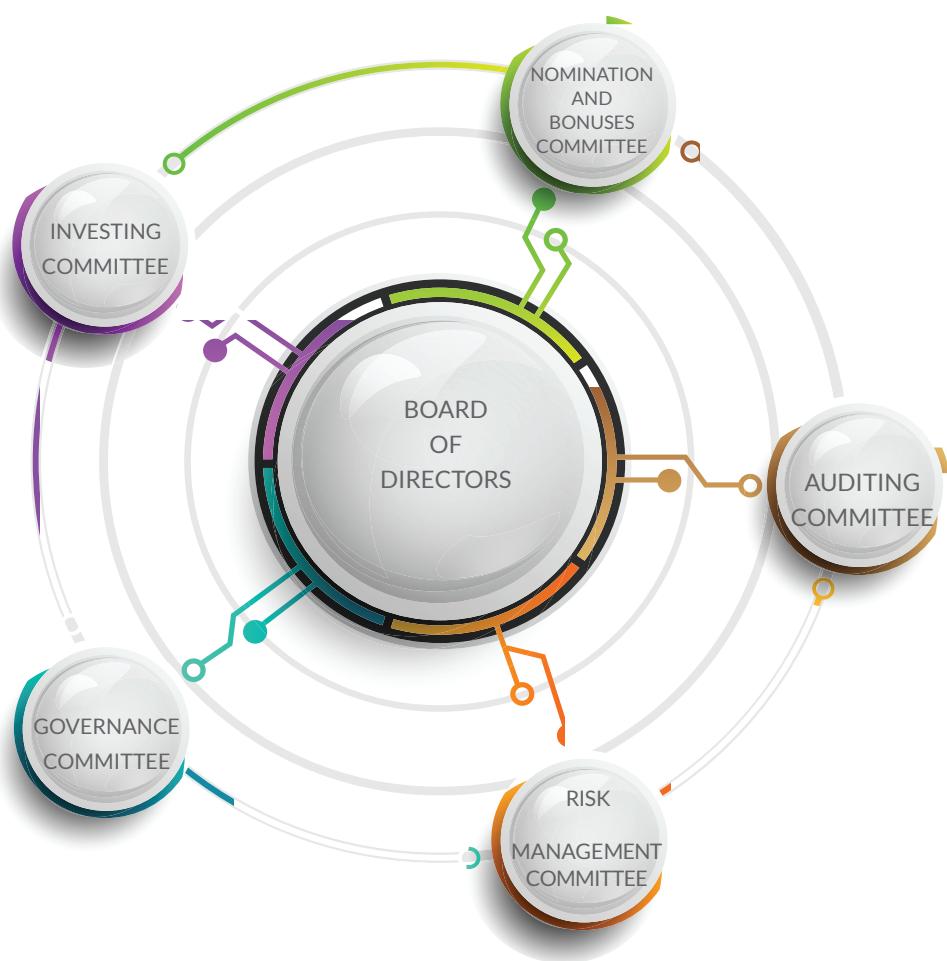
The company also has a Financial and Administrative Delegation Matrix that covers all departments that operate within the company and is updated whenever necessary.

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 2024:

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. 01/2024	✓	✓	✓
Attendance percentage	100 %	100 %	100 %

Key achievements of the committee during 2024:

- 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 2024:

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	7,500 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	296,700 KD	7,730 KD	5,118.12 KD	7,160 KD	840 KD	43,100 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)				Annual reward	There are no Bonuses or benefits either fixed or variable through affiliates.	
	388,300 KD	28,382 KD	6,331.880 KD	3,245 KD	33,840 KD	0	

Total remuneration for executive and senior management is estimated at KD 820,747,000

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

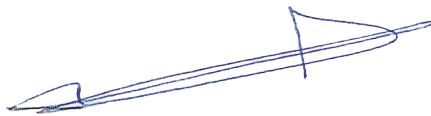
I, the undersigned Mr. / Bandar Al-Jarallah I - Member of the Board of Directors - Independent at the First Takaful Insurance Company, hereby declare that I meet the following conditions:

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: 24/03/2025

Signature:



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: 24/03/2025

Signature:



Rule Four - Ensure 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 appoint-

ment, 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 2024:

AUDIT COMMITTEE			
Committee Members	Saleh Al-Tanib Head of Committee	Rami Habli Member of committee	Bandar Al-Jarallah Member of committee- Independent
Meeting no. 01/2024	x	✓	✓
Meeting no. 02/2024	x	✓	✓
Meeting no. 03/2024	✓	✓	x
Meeting no. 04/2024	✓	✓	✓
Meeting no. 05/2024	✓	✓	✓
Attendance	60 %	100 %	80 %

The Committee's most significant achievements in 2024:

- Reviewing the Committee's recommendation to appoint Ms. Hind Al-Surayea as the external auditor, taking into account the auditor's rotation period and independence, in accordance with the instructions of the regulatory authorities.
- Reviewing the external auditor's observations on the financial statements, discussing and approving the draft interim financial statements and the company's audit report issued as of December 31, 2023, and following up on progress made in this regard.
- Reviewing the accounting policies followed and providing an opinion and recommendation to the Board of Directors regarding them.
- Reviewing and reviewing the Audit Committee's annual report on the adequacy of the internal control systems implemented within the company as of December 31, 2023.
- Reviewing and approving the annual internal audit activity assessment for 2023.
- Reviewing the results of the regulatory authorities' reports and ensuring that the necessary actions have been taken in this regard during 2023.
- Reviewing the company's compliance with relevant laws, policies, regulations, and instructions during 2023.
- Discussing and approving the draft annual financial statements and audit report for the financial period ending December 31, 2023.
- Reviewing and approving the Internal Control Assessment and Review Report (ICR) prepared by an independent external audit firm as of December 31, 2023.

- Reviewing and approving the Internal Audit Report – Assessment and Review of the Internal Control Systems in place within the company as of December 31, 2023.
- Reviewing and approving the Annual Internal Audit Report – Independence and Objectivity.
- Reviewing and approving the updated Internal Audit Charter.
- Reviewing and approving the reports of the Internal Audit Department (Compliance and Reinsurance Department) and recommending compliance with the reports by relevant parties.
- The reports of the Internal Audit Department (Administrative Affairs Department) were reviewed and approved, recommending compliance with the reports by relevant parties.
- The draft interim financial statements and the company's audit report for the financial period ending on 03/31/2024 were discussed and approved.
- The memorandum regarding recording an additional provision in the first quarter of 2024 financial statements, submitted by the Executive Vice President of Finance to the Vice Chairman and Chief Executive Officer, was discussed and recommended for approval by the Board of Directors. (The letter is attached.)
- The draft annual financial statements and the company's audit report for the financial period ending June 30, 2024, were discussed and approved, and the Board of Directors recommended their approval.
- The reports of the Internal Audit Department (Internal Sharia Audit Department) were reviewed and approved, with a recommendation for compliance by relevant parties.

- The solvency margin report prepared by the actuary and approved by the independent auditor was discussed.
- The decision of the Disciplinary Board of the Capital Markets Authority - State of Kuwait was discussed in its session held on Monday 10/14/2024 regarding the violation registered under No. (27/2024) Disciplinary Board, (17/2024) Capital Markets Authority, by imposing a warning penalty against the company for violating the following:

The ruling of Article (1-1-4) of Book Ten (Disclosure and Transparency) of the Executive Regulations of Law No. 7 of 2010 and its amendments, due to the company's failure to disclose on the Kuwait Stock Exchange the decision issued by the Committee for the Resolution of Securities Disputes No. (11/L/D1/C/2022 AD for the year 1443 AH) and the final decision of the Appeal Committee for Securities Disputes No. (2045/LS/2020 for the year 1442 AH) in the Kingdom of Saudi Arabia, based on the class action lawsuit filed by some shareholders of Weqaya Insurance and Reinsurance Company, which resulted in the issuance of a decision against some members of the Board of Directors and employees of Weqaya Takaful Insurance and Reinsurance Company (an associate company). A recommendation was submitted to the Board of Directors to accept the violation and not file a grievance regarding it.

- Discussing and approving the draft annual financial statements and audit report of the company for the financial period ending September 30, 2024, and the Board of Directors recommended approval.
- Review and approve Internal Audit Department (HR Department) reports, recommending compliance with the reports by relevant parties.
- Review and approve the 2024 Conflict of Interest Policy.

External Auditor:

First Takaful Insurance Company has an external auditor registered in the Capital Markets Authority's register of auditors. He is fully independent of First Takaful and its Board of Directors. The company allows the external auditor to discuss his views with the Audit Committee by inviting him to attend Audit Committee meetings. He is also empowered to attend General Assembly meetings and read his report to shareholders. The external auditor has significant powers to report any violations or obstacles in detail to the Capital Markets Authority. A representative of the External Auditor Office of First Takaful Insurance Company attended four Audit Committee meetings in 2024 and discussed all financial statements with

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 2024:

RISK MANAGEMENT COMMITTEE			
Committee Members	Rami Habli Head of committee	Hussain Al-Attal Committee Member	Badr Jassim Al Hajri committee Member
Meeting no. 01/2024	✓	✓	✓
Meeting no. 02/2024	✓	✓	✓
Meeting no. 03/2024	✓	✓	✓
Meeting no. 04/2024	✓	✓	✓
Attendance percentage	100 %	100 %	100 %

Key Committee Achievements in 2024:

- Approval of the minutes of the previous Risk Management Committee (4/2023).
- Discussion and approval of the Risk Management Action Plan (2024-2025).
- Discussion and approval of the 2023 Risk Management Evaluation.

- Review of the company's (updated) organizational structure and the functional structure of the Risk Management Department across the company's other departments.
- Review of ensuring the availability of adequate resources and systems for risk management.
- Review of ensuring the independence of risk management personnel from activities that expose the company to risks.
- Review of ensuring that risk management officials have a full understanding of the risks surrounding the company, and work to increase employee awareness and risk culture.
- Discussion and approval of the annual Risk Management Report for the period ending December 31, 2023.
- The Risk Management Report prepared for the period ending June 30, 2024, was reviewed, discussed, approved, and submitted to the company's Board of Directors.
- Item 6.1 of the Risk Management Report, regarding the company's solvency margin, was discussed in accordance with the instructions of the Insurance Regulatory Unit, in implementation of Article (23) of Law No. 125 of 2019 regarding insurance regulation, and Articles (69) and (140) of the Executive Regulations. A recommendation was submitted to the Board of Directors to grant us more time to prepare a special, detailed report on how to enhance the company's solvency margin in light of the current financial situation.
- The risk register of the First Takaful Insurance Company's departments was reviewed and approved.

Internal Control

First Takaful relies on a set of control systems and regulatory rules that cover all of the company's activities and departments. These systems and rules work to maintain the integrity of the company's financial position, the accuracy of its data, and the efficiency of its operations in various aspects. The company's organizational structure reflects dual control controls, including the proper definition of powers and responsibilities, complete segregation of duties and the absence of conflicts of interest, dual review and oversight, and dual signature.

Compliance and Audit Department:

The company has a department specialized in implementing the instructions of regulatory authorities, namely the Compliance and Audit Department. It strives to comply with all instructions issued by regulatory authorities and internal policies to achieve the highest standards of compliance. The department also enjoys independence, and the Compliance and Audit Department reports to the Governance Committee and, consequently, to the Board of Directors. Evaluation and Review of Internal Control Systems.

An independent audit firm prepared an evaluation report on the internal control systems of First Takaful Insurance Company for the fiscal year ending December 31, 2024. This report included an examination of the company's control environment and the company's compliance with the corporate governance rules issued by the Capital Markets Authority of Kuwait. This report was submitted to the Board of Directors and the Capital Markets Authority. The report demonstrated the company's compliance with the basic internal control systems in line with the rules of the Capital Markets Authority of Kuwait. The report also indicated that there were no new observations regarding the company, and that all observations from previous years had been corrected.

Internal Audit Department

The company's Internal Audit Department reviews and evaluates the internal control systems. It also evaluates the performance of executive management in implementing the internal control systems. The department reports to the committee. Its personnel enjoy complete independence. The company's Internal Audit Department reports to the Audit Committee and, consequently, to the Board of Directors. It's worth noting that Agile Management Consulting provides consulting services in internal audit management. A representative from the Internal Audit Office of Al-Oula Takaful Insurance Company attended four meetings with the Audit Committee and the auditor for 2024, and discussed with committee members all financial statements and reports issued by the Internal Audit Office.

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. 01/2024	✓	✓	✓
Attendance percentage	100 %	100 %	100 %

The Committee's most important achievements during 2024:

- Preparing and approving the company's 2023 governance report for submission to the Capital Markets Authority of Kuwait.
- Approving the authorization of the CEO to follow up on the semi-annual governance report submitted through the Capital Markets Authority's electronic portal. The final version of this report will be sent to committee members via email.
- Approving the Compliance, Anti-Money Laundering and Compliance Department's work plan for 2024-2025.
- Authorizing the CEO (a committee member) to follow up on the Compliance and Regulatory Compliance Department's work plan.
- Discussing Resolution No. (58) issued by the Insurance Regulatory Unit and Resolution No. (17) issued by the Capital Markets Authority regarding the transfer of affiliation of insurance companies from the Capital Markets Authority to the Insurance Regulatory Unit regarding the issuance of corporate governance rules. "The Governance Rules for Insurance and/ or Reinsurance Companies shall be effective from January 1, 2025, and all subject parties shall regularize their status during this period."

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.

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.

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, anzTakaful 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:

Rule 8 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 2024 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 Underwriting
- 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 First 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” First 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” First 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” First 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



Consolidated financial statements and independent auditor's report

First Takaful Insurance Company – KPSC
and its Subsidiary

Kuwait

31 December 2024

Financial Statement



	Page
Independent auditor's report	46
Consolidated statement of profit or loss	50
Consolidated statement of profit or loss and other comprehensive income	51
Consolidated statement of financial position	52
Consolidated statement of changes in equity	53
Consolidated statement of cash flows	54
Notes to the consolidated financial statements	55-107

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

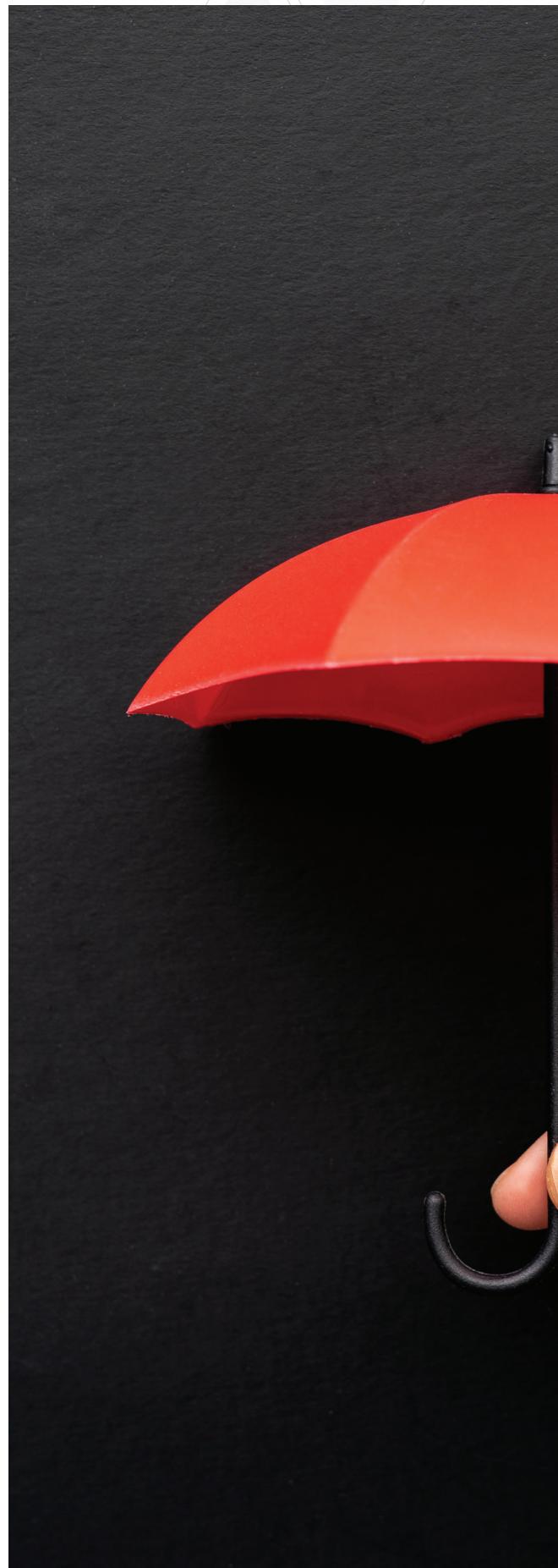
We have audited the consolidated financial statements of First Takaful Insurance Company - KPSC ("the Parent Company") and subsidiary, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including international independence standards)* issued by the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





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

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 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 Notes 4.10.3 and 21.3 for more information on fair valuation of investments at fair value through other comprehensive income.

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

Other information

Management is responsible for the other information. The other information comprises Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete Group's Annual Report which is expected to be made available to us after that date.

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,

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

in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

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

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

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

Report on Other Legal and Regulatory Requirements

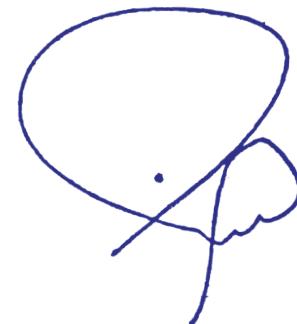
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorpo-

rate 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 2024 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2024 that might have had a material effect on the business or financial position of the Parent Company.

Hend Abdullah Al Surayea

(Licence No. 141-A)



of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait

12 March 2025



Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Revenue			
Rental income		-	8,783
Gain on disposal of assets held for sale		-	171,093
Share of result from investment in associates	8	3,378	-
Change in fair value of investment properties held for sale	10	-	48,296
Profit from saving deposits		38,441	11,265
Other income	17	27,439	16,227
		69,258	255,664
Expenses and other charges			
General and administrative expenses	19	(226,450)	(486,454)
Provision for expected credit losses		(24,463)	-
		(250,913)	(486,454)
Loss for the year			
Basic and diluted loss per share	6	(1.7) Fils	(2.17) Fils

The notes set out on pages 55 to 107 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Loss for the year		(181,655)	(230,790)
<i>Other comprehensive income:</i>			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
- Change in fair value of investments at fair value through other comprehensive income	9	69,805	671,145
Total other comprehensive income		69,805	671,145
Total comprehensive (loss) / income for the year		(111,850)	440,355

The notes set out on pages 55 to 107 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2024 KD	Restated* 31 Dec. 2023 KD
Assets			
Bank balances	7	146,944	232,450
Term deposit	7	1,239,000	439,000
Assets held for sale	10	175,686	175,686
Investment in associates	8	723,379	720,001
Investments at fair value through other comprehensive income	9	2,961,049	2,891,244
Qard Hassan to policyholders' fund	11	3,053,603	2,963,175
Due from related parties	17	4,459,980	5,864,311
Other assets		13,850	29,878
Total assets		12,773,491	13,315,745
Equity and liabilities			
Equity			
Share capital	12	10,660,000	10,660,000
Statutory reserve	13	336,226	336,226
Voluntary reserve	13	306,980	306,980
Fair value reserve		1,617,939	1,548,134
Foreign currency translation reserve		(282,917)	(282,917)
Accumulated losses		(3,065,739)	(2,884,084)
Total equity		9,572,489	9,684,339
Liabilities			
Policyholders' deficit reserve	11	3,053,603	2,963,175
Amount due to policyholders	14	-	413,568
Other liabilities		147,399	254,663
Total liabilities		3,201,002	3,631,406
Total equity and liabilities		12,773,491	13,315,745

*Certain comparative information shown here do not correspond to 2023 consolidated financial statements and reflect adjustments made as detailed in Note 23.

Abdullah A. Al-Asfour
Chairman

Hussain Ali Mohammed Al-Attal
Vice Chairman & CEO

The notes set out on pages 55 to 107 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 2023	10,660,000	336,226	306,980	1,548,134	(282,917)	(2,884,084)	9,684,339
Loss for the year	-	-	-	-	-	(181,655)	(181,655)
Other comprehensive income for the year	-	-	-	69,805	-	-	69,805
Total comprehensive income for the year	-	-	-	69,805	-	(181,655)	(111,850)
Balance at 31 December 2024	10,660,000	336,226	306,980	1,617,939	(282,917)	(3,065,739)	9,572,489
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

The notes set out on pages 55 to 107 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Note	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
OPERATING ACTIVITIES		
Loss for the year	(181,655)	(230,790)
Adjustments for:		
Share of result from investment in associate	(3,378)	-
Provision for expected credit losses	24,463	-
Change in fair value of investment properties held for sale	-	(48,296)
Gain on disposal of an assets held for sale	11	(171,093)
	(160,570)	(450,179)
Changes in operating assets and liabilities:		
Other assets	16,028	52,270
Due from related parties	1,379,868	(574,316)
Movement in policyholders' account	(413,568)	(173,955)
Other liabilities	(107,264)	(152,326)
Net cash from / (used in) operating activities	714,494	(1,298,506)
INVESTING ACTIVITIES		
Increase in term deposits	(300,000)	-
Proceed from sale of investments at FVTOCI	-	305,310
Proceeds from disposal of an asset held for sale	11	1,221,349
Net cash (used in) / from investing activities	(300,000)	1,526,659
Net increase in cash and cash equivalents	414,494	228,153
Cash and cash equivalents at the beginning of the year	7	232,450
Cash and cash equivalents at the end of the year	7	646,944
:Non-cash transaction		
Disposal proceeds from sale of investments properties held for sale	-	2,157,929
Disposal proceeds from sale of investments at FVTOCI	-	2,518,293
Due from a related party	-	(4,676,222)

The notes set out on pages 55 to 107 form an integral part of these consolidated financial stat

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 was issued effective from 28 August 2019. This Law supersedes the Law No. 24 of 1961 and its subsequent amendments. The Executive Regulations of Law No. 125 for the year 2019 were issued on 16 March 2021.

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. 2024	31 Dec. 2023
		%	%
Weqya Real Estate Company – WLL	Kuwait	Real Estate	100% 100%

The subsidiary was incorporated during the year 2022 and has not yet started operations.

The Extra-Ordinary General Assembly held on 15 December 2024 approved to amend the objectives of the Parent Company as follows.

The Parent Company is engaged in:

- Takaful insurance for all types of insurance
- Owning properties and movables for the benefit of the Company
- Buying and selling shares and bonds for the Company
- Utilizing financial surplus in financial portfolios through investment in financial portfolios managed by specialized companies and authorities
- Providing administrative and technical services to insurance companies
- Health insurance management and regulation

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 Shareea's 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.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

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

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

The financial statements for the year ended 31 December 2024 were authorised for issue by the board of directors of the Parent Company on 12 March 2025. 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 consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as issued 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".

3 Changes in accounting policies

3.1 New and amended IFRS Accounting Standards adopted by the Group

The following amendments to existing IFRS Accounting Standards were effective for the current period.

Standard or Interpretation	Effective for annual periods beginning
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of liabilities as current or non-current	1 January 2024
IAS 7 and IFRS 7 Supplier finance arrangement disclosures	1 January 2024
IFRS 16 Amendments- Lease liability in a sale and leaseback	1 January 2024
IAS 1 Amendments - Classification of liabilities with debt covenants	

The amendments to IAS 1 clarify that classification of liabilities as either current or non-current depends only on the covenants that an entity is required to comply with on or before the reporting date. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

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

IAS 1 Amendments - Classification of current or non-current

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

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

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies

3.2 New and amended IFRS Accounting Standards adopted by the Group

IAS 7 and IFRS 7 Amendments – Supplier finance arrangements

The amendments to IAS 7 and IFRS 7 added disclosure objectives to IAS 7 to enable the users of the financial statements to assess how the supplier finance arrangements effect an entity's liabilities and cash flows, and to understand the effect of these arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. While the amendments do not explicitly define supplier finance arrangements it instead describes characteristics of such arrangements.

To meet the disclosure objectives, an entity is required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

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

IFRS 16 Amendments – Lease liability in a sale and leaseback

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

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

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.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	Effective for annual periods beginning
IAS 21 Amendments – Lack of exchangeability	1 January 2025
IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments - Amendments	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
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.

IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments

The amendments to IFRS 7 and IFRS 9 addresses three changes:

- derecognition of a financial liability settled through electronic transfer whereby entities are permitted to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option would be required to apply it to all settlements made through the same electronic payment system.
- Classification of financial assets based on a) contractual terms that are consistent with basic lending arrangements, b) assets with non-recourse description has been enhanced to include a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets, and c) contractually linked instruments have been clarified, and

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments (continued)

- Disclosures relating to a) financial assets at FVTOCI where entities are required to disclose fair value gain or loss separately for financial assets derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period, and b) contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs.

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

IFRS 18 Presentation and Disclosure in Financial Statements

The new standard will replace the IAS 1 Presentation of Financial Statements though it contains a number of the current requirements in the IAS 1. IFRS 18 sets out to ensure the financial statements provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The major new requirements in IFRS 18 include

- Presentation of specific categories and sub totals in the statement of profit or loss
- Disclosures of management-defined performance measures (MPM)
- Improvement of aggregation and disaggregation

Management anticipates that the adoption of the new standard in the future may have an impact on the Group's consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows reduced disclosure requirements for an entity instead of the disclosure requirements in other IFRS Accounting Standards if the entity 1) is a subsidiary, 2) it does not have public accountability, 3) it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. An entity electing to apply IFRS 19 is required to apply other IFRS Accounting Standards, except for the disclosure requirements.

Management does not anticipate adoption of the new standard for its consolidated financial statements of the Group.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.1 Basis of consolidation (continued)

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

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

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

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

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

4.2 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.2 Business combinations (continued)

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.

4.4 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.4 Revenue (continued)

4.4.3 Income from investment deposit

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

4.5 Operating expenses

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

4.6 Leased assets

The Group as a lessee

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

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

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

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.6 Leased assets (continued)

Lease liability

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

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

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

The Group as a lessor

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

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

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

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

4.7 Investment in associates

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

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

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.7 Investment in associates (continued)

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

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

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

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

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

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

However, when the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.8 Taxation

4.8.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued) 4.8 Taxation (continued)

4.8.4 Taxation on overseas associates

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

4.9 Segment reporting

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

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

4.10 Financial instruments

4.10.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transaction 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.10 Financial instruments (continued)

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.

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.

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 (continued)

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.

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.

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)

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 due from related parties and other assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

The Group recognises an impairment gain or loss in the statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.12 Offsetting of financial instruments

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

4.13 Fair value of financial instruments

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

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

4.14 Investment properties

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

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

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

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 Non-current assets and liabilities classified as held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell; other than for investment properties which are measured at fair value (note 4.14), all others non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Any profit or loss arising from the sale of a non-current assets held for sale or its remeasurement to fair value less costs to sell is presented as part of a single line item in 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.16 Impairment testing of non-financial assets

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

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

4.17 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

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

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

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

Accumulated losses include current year loss and all prior period retained profits and losses.

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

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

4.18 Foreign currency translation

4.18.1 Functional and presentation currency

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

4.18.2 Foreign currency transactions

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

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

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.18 Foreign currency translation (continued)

4.18.3 Foreign operations

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

Assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal/ liquidation 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/liquidation.

4.19 Provisions, contingent assets and contingent liabilities

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

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

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

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

4.20 Related party transactions

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

5 Significant management judgements and estimation uncertainty

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

5.1 Significant management judgments

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

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

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.

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 per share

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

	Year ended 31 Dec. 2024	Year ended 31 Dec. 2023
Loss for the year (KD)	(181,655)	(230,790)
Weighted average number of shares outstanding during the year	106,600,000	106,600,000
Basic and diluted loss per share	(1.7) Fils	(2.17) Fils

Notes to the consolidated financial statements (continued)

7 Cash and cash equivalents

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

	31 Dec. 2024	31 Dec. 2023
	KD	KD
Bank balances	146,944	232,450
Term deposits	1,239,000	439,000
	1,385,944	671,450
Less: deposits maturing more than three months	(739,000)	(439,000)
Cash and cash equivalents as per consolidated statement of cash flows	646,944	232,450

Term deposits represent deposit placements made with local bank and carry an effective profit rate of 3.75% to 4.25% (31 December 2023: 3.75% to 4.75%).

8 Investment in associates

Name	Percentage ownership		Country of incorporation	Principal activity
	.Dec 31 2024	.Dec 31 2023		
	%	%		
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. 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 invested KD 720,000 in First Financial Holding Company – WLL (Holding) (“FFH”), with a total share capital of KD 1,500,000. The associates total net assets as of 31 December 2024 amounted to KD 1,507,000. The Group’s share of the profit for the year was KD 3,378

9 Investments at fair value through other comprehensive income

	31 Dec. 2024	31 Dec. 2023
	KD	KD
Foreign unquoted securities	2,961,049	2,891,244
	2,961,049	2,891,244

Notes to the consolidated financial statements (continued)

9 Investments at fair value through other comprehensive income (continued)

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the 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 investment was acquired through a related party and the legal formalities for transfer of the ownership of the investment to the Group are in progress.

10 Assets held for sale - Investment properties

The movement of investment properties classified as assets held for sale are as follows:

	31 Dec. 2024	31 Dec. 2023
	KD	KD
Opening balance at the beginning of the year	175,686	543,636
Transfer from investment properties	-	2,791,939
Disposals (c)	-	(3,208,185)
Change in fair value during the year	-	48,296
Closing balance at the end of the year	175,686	175,686

a) At the reporting date, the above property is held in the name of a related party, who has signed a letter of assignment stating that they are holding this property on behalf of the Group till all the legal formalities are completed to transfer the title deeds of the property.

b) The investment property held for sale is located in UAE and the fair value of the property has been determined as KD 175,686 based on valuations obtained from an independent valuer, who is specialized in valuing these types of investment properties.

c) During the previous 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 is due over 4 years and the net amount of (31 December 2023: KD 1,973,576) (net of present value discount of KD 184,353) was accounted as due from related party as of the reporting date. The resulting gain on this disposal amounting to KD 171,093 has been recognized in the previous years consolidated statement of profit or loss.

11 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.

Notes to the consolidated financial statements (continued)

11 Qard Hassan to policyholders' fund and deficit reserve (continued)

	31 Dec. 2024	(Restated) 31 Dec. 2023
	KD	KD
Opening balance at the beginning of the period/year (as previously reported)	2,396,131	2,593,938
Effect of restatement (note 23)	567,044	-
Opening balance as restated	2,963,175	2,593,938
Net deficit / (surplus) for the year from insurance operations (note 16)	90,428	(197,807)
	3,053,603	2,396,131
Effect of restatement (note 23)	-	567,044
Closing balance at the end of the year	3,053,603	2,963,175

12 Share capital

	31 Dec. 2024	31 Dec. 2023
	KD	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

13 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 reserves is required in a year in which the Group has incurred a loss or where accumulated losses exist.

14 Amount due to policyholders

	31 Dec. 2024	31 Dec. 2023
	KD	KD
Opening balance at the beginning of the year	413,568	587,523
Net movements during the year	(413,568)	(173,955)
Closing balance at the end of the year	-	413,568

Notes to the consolidated financial statements (continued)

14 Amount due to policyholders (continued)

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

15 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 2024, 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 21 May 2024 approved the financial statements for the year ended 31 December 2023 and the proposal of the board of directors not to distribute any dividends for the year then ended. Further, the shareholders approved to distribute board of directors' remuneration amounting KD 28,500 for the year ended 31 December 2023 which has been recorded during the current year in the consolidated statement of profit or loss and other comprehensive income under general and administrative expenses.

16 Policyholders' results by line of business and fund

16.1 Material accounting policies for Policyholders

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.

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

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.

Notes to the consolidated financial statements (continued)

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

16.1 Material accounting policies for Policyholders (continued)

Level of aggregation (continued)

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

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

Notes to the consolidated financial statements (continued)

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

16.1 Material accounting policies for Policyholders (continued)

Contract boundary (continued)

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.

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.

Notes to the consolidated financial statements (continued)

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

16.1 Material accounting policies for Policyholders (continued)

Takaful contracts – subsequent measurement (continued)

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.

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.

Notes to the consolidated financial statements (continued)

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

16.1 Material accounting policies for Policyholders (continued)

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.

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 re-insurers, 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.

Notes to the consolidated financial statements (continued)

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

16.1 Material accounting policies for Policyholders (continued)

Net income or expense from reinsurance contracts held (continued)

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, 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.

Notes to the consolidated financial statements (continued)

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

16.1 Material accounting policies for Policyholders (continued)

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

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.

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 claim's 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 or 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.

Notes to the consolidated financial statements (continued)

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

16.1 Material accounting policies for Policyholders (continued)

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

Risk adjustment for non financial risk

The risk adjustment 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 indication 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.

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

	Notes	Year ended 31 Dec. 2024	Restated* Year ended 31 Dec. 2023
Revenue			
Takaful revenue	16.5	5,877,419	3,983,579
Takaful service expenses	16.5	(2,759,691)	(90,365)
Takaful service result before reinsurance contracts held		3,117,728	3,893,214
Re-insurance expenses from reinsurance contracts held	16.6	(3,600,711)	(2,254,102)
Re-insurance income from reinsurance contracts held	16.6	898,480	(1,593,851)
Reinsurance service result		(2,702,231)	(3,847,953)
Takaful finance income for takaful contracts issued		(95,327)	22,717
Reinsurance finance expenses for reinsurance contracts held		43,920	(13,139)
		(51,407)	9,578
Other income		217,636	246,450
Net Takaful financial result		581,726	301,289
Expenses and other charges			
Unallocated general and administrative expenses		(672,154)	(670,526)
		(672,154)	(670,527)
Net deficit from Takaful operations		(90,428)	(369,237)
Other comprehensive income / (loss)		80,249	(75,909)
Net deficit from Takaful operations with other comprehensive income		(10,179)	(445,146)

*Certain comparative information shown here do not correspond to 2023 consolidated financial statements and reflect adjustments made as detailed in Note 23.

Notes to the consolidated financial statements (continued)

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

16.2 Policyholders' assets, liabilities and fund:

	Note	31 Dec. 2024 KD	Restated* 31 Dec. 2023 KD
Assets			
Cash and bank balances			
Cash and bank balances		4,490	62,043
Investment deposits	16.3	822,000	822,000
Financial assets at FVTOCI	16.7	306,847	226,598
Reinsurance contract assets	16.6	3,775,773	3,816,033
Amount due from shareholders	14	-	413,568
Other assets		233,298	238,088
Equipment		12,306	19,107
Total assets		5,154,714	5,597,437
Liabilities			
Takaful contract liabilities			
Takaful contract liabilities	16.5	7,074,238	7,350,157
Reinsurance contract liabilities	16.6	2,494	2,214
Other liabilities	16.8	1,956,300	2,113,205
Total liabilities		9,033,032	9,465,576
Policyholders' fund			
Net deficit for policyholders at the beginning of the year		(2,963,175)	(2,593,938)
Net surplus from Takaful operations for the year (11)		(90,428)	(369,237)
Total net deficit from insurance operations	16.9	(3,053,603)	(2,963,175)
Fair value reserve		(904,964)	(829,055)
Change in fair value during the year		80,249	(75,909)
		(824,715)	(904,964)
Total policyholders' fund at the end of year	16.9	(3,878,318)	(3,868,139)
Total liabilities and policyholders' fund		5,154,714	5,597,437

*Certain comparative information shown here do not correspond to 2023 consolidated financial statements and reflect adjustments made as detailed in Note 23.

16.3 In accordance with Kuwaiti law, an amount of KD822,000 (31 December 2023: 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% (31 December 2023: 4.06%

Notes to the consolidated financial statements (continued)

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

16.4 Takaful and Reinsurance contracts held

The breakdown of groups of takaful contracts 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. 2024			31 Dec. 2023 (restated)		
	Assets KD	Liabilities KD	Net KD	Assets KD	Liabilities KD	Net KD
Takaful contracts issued						
General	-	(4,591,697)	(4,591,697)	-	(4,699,423)	(4,699,423)
Motor	-	(728,737)	(728,737)	-	(1,175,305)	(1,175,305)
Medical and life	-	(1,753,804)	(1,753,804)	-	(1,475,429)	(1,475,429)
Total	-	(7,074,238)	(7,074,238)	-	(7,350,157)	(7,350,157)
 Reinsurance contracts held						
General	2,986,295	-	2,986,295	2,701,911	-	2,701,911
Motor	374,576	-	374,576	607,862	-	607,862
Medical and life	414,902	(2,494)	412,408	506,260	(2,214)	504,046
	3,775,773	(2,494)	3,773,279	3,816,033	(2,214)	3,813,819

Notes to the consolidated financial statements (continued)

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

16.5 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.

December 2024 31	Liability for remaining coverage					Total KD
	Excluding loss component		Loss component		Present Value of Cash flows	
	KD	KD	KD	KD	KD	
(Takaful contract liabilities as at 1 January 2024 (Restated) (refer note 23)	(2,677,113)	-	(4,504,265)	(168,779)	(7,350,157)	
(Net Takaful contract liabilities as at 1 January 2024 (Restated) (refer note 23)	(2,677,113)	-	(4,504,265)	(168,779)	(7,350,157)	
Takaful revenue	5,877,419	-	-	-	5,877,419	
Takaful service expenses						
Risk adjustment release Gross	-	-	-	118,156	118,156	
New claims incurred over the period	-	-	(1,636,067)	(45,139)	(1,681,206)	
Incurred claims settled during the period	-	-	(245,905)	-	(245,905)	
Increase in incurred claim liability	-	-	(1,304,684)	(76,988)	(1,381,672)	
Claims and expenses paid	-	-	(2,905,106)	-	(2,905,106)	
Release for incurred claims expected over the period	-	-	3,668,328	-	3,668,328	
Amortisation of insurance acquisition cash flows	(332,286)	-	-	-	(332,286)	
Total Takaful service expenses	(332,286)		(2,423,434)	(3,971)	(2,759,691)	
Takaful service result before reinsurance contracts held	5,545,133	-	(2,423,434)	(3,971)	3,117,728	
Insurance finance expenses			(95,327)	-	(95,327)	
Total Takaful recognised in profit or loss	5,545,133	-	(2,518,761)	(3,971)	3,022,401	
Cash flows						
Premiums received	(6,012,094)	-	-	-	(6,012,094)	
Claims and other expenses paid including investment component	-	-	2,905,106	-	2,905,106	
Total cash flows	(6,012,094)		2,905,106		(3,106,988)	
Additional items						
Deferred acquisition costs of cash flow	360,506	-	-	-	360,506	
Total additional items	360,506	-	-	-	360,506	
Takaful contract liabilities as at 31 December 2024	(2,783,568)	-	(4,117,920)	(172,750)	(7,074,238)	
Takaful contract liabilities as at 31 December 2024	(2,783,568)	-	(4,117,920)	(172,750)	(7,074,238)	
Net Takaful contract liabilities as at 31 December 2024	(2,783,568)	-	(4,117,920)	(172,750)	(7,074,238)	

Notes to the consolidated financial statements (continued)

16 Policyholders' results by line of business and fund (continued) 16.5 Takaful contract assets and Takaful contract liabilities (continued)

31 December 2023	Liability for remaining coverage		Liability for incurred claims		Total KD
	Excluding loss com- ponent	Loss com- ponent	Present Value of Cash flows	Risk Adjust- ment	
	KD	KD	KD	KD	
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 period	-	-	(1,733,784)	(30,088)	(1,763,872)
Incurred claims settled during the period	-	-	643,099		643,099
Increase in incurred claim liability	-	-	3,025,102	788,105	3,813,207
Claims and expenses paid	-	-	(1,892,271)	-	(1,892,271)
Release for incurred claims expected over the period	-	-	(643,099)	-	(643,099)
Amortisation of insurance acquisition cash flows	(247,429)	-	-	-	(247,429)
Total Takaful service expenses	(247,429)	-	(600,953)	758,017	(90,365)
Takaful service result before reinsurance contracts held	3,736,150	-	(600,953)	758,017	3,893,214
Insurance finance expenses			22,717		22,717
Total Takaful recognised in profit or loss	3,736,150	-	(578,236)	758,017	3,915,931
Cash flows					
Premiums received	(6,132,556)	-	-	-	(6,132,556)
Claims and other expenses paid including investment component	-	-	1,892,271	-	1,892,271
Total cash flows	(6,132,556)	-	1,892,271	-	(4,240,285)
Additional items					
Deferred acquisition costs of cash flow	158,961	-	-	-	158,961
Total additional items	158,961	-	-	-	158,961
Takaful contract liabilities as at 31 December 2023	(2,677,113)	-	(4,504,265)	(168,779)	(7,350,157)
Takaful contract liabilities as at 31 December 2023 (Restated) (refer note 23)	(2,677,113)	-	(4,504,265)	(168,779)	(7,350,157)
Net Takaful contract liabilities as at 31 December 2023 (Restated) (refer note 23)	(2,677,113)	-	(4,504,265)	(168,779)	(7,350,157)

Notes to the consolidated financial statements (continued)

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

16.6 Reinsurance contract assets and reinsurance contract held liabilities

31 December 2024

	Remaining Coverage Component			Incurred claims for contracts under the PAA		Total KD
		Excluding loss com- ponent	Loss component	Present Value of Cash flows	Risk Adjustment	
		KD	KD	KD	KD	
Reinsurance contract assets as at 1 January 2024 Restated (refer note 23)	1,132,046	-		2,560,080	123,907	3,816,033
Reinsurance contract liabilities as at 1 January 2024 Restated (refer note 23)	(2,214)	-		-	-	(2,214)
Net reinsurance contract assets as at 1 January 2024 Restated (refer note 23)	1,129,832	-		2,560,080	123,907	3,813,819
Reinsurance expenses	(3,600,711)	-		-	-	(3,600,711)
Risk adjustment release gross	-	-		-	(85,906)	(85,906)
New claims incurred over the period	-	-		836,338	27,506	863,844
Incurred claims settled during the period	-	-		(306,424)	-	(306,424)
Increase in incurred claim liability	-	-		1,107,591	63,100	1,170,691
Claims and expenses paid	-	-		511,371	-	511,371
Release for Incurred claims expected over the period	-	-		(1,541,875)	-	(1,541,875)
Amortisation of insurance acquisition cash flows	286,779	-		-	-	286,779
Net expenses from reinsurance contracts held	(3,313,932)	-		607,001	4,700	(2,702,231)
Reinsurance finance income	-	-		43,920	-	43,920
Total amounts recognised in profit or loss	(3,313,932)	-		650,921	4,700	(2,658,311)
Cash flows						
Premiums paid	3,402,625	-		-	-	3,402,625
Claims & other expenses paid, including investment component	-	-		(511,371)	-	(511,371)
Acquisition cash flows paid	-	-		-	-	-
Total cash flows	3,402,625	-		(511,371)	-	2,891,254
Additional items						
Deferred acquisition costs of cash flow	(273,483)	-		-	-	(273,483)
Total additional items	(273,483)	-		-	-	(273,483)
Reinsurance contract assets as at 31 December 2024	945,042	-		2,699,630	128,607	3,773,279
Reinsurance contract assets as at 31 December 2024	947,536	-		2,699,630	128,607	3,775,773
Reinsurance contract liabilities as at 31 December 2024	(2,494)	-		-	-	(2,494)
Net reinsurance contract assets as at 31 December 2024	945,042	-		2,699,630	128,607	3,773,279

Notes to the consolidated financial statements (continued)

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

16.6 Reinsurance contract assets and reinsurance contract liabilities (continued)

31 December 2023	Remaining Coverage Component		Incurred claims for contracts under the PAA		Total KD
	Excluding loss com- ponent	Loss component	Present Value of Cash flows	Risk Adjustment	
	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
Insurance expenses	(2,254,102)	-	-	-	(2,254,102)
New claims incurred over the period	-	-	743,160	21,673	764,833
Incurred claims settled during the period	-	-	(320,133)	-	(320,133)
Increase in incurred claim liability	-	-	(2,682,308)	(586,272)	(3,268,580)
Claims and expenses paid	-	-	651,373	-	651,373
Release for Incurred claims expected over the period	-	-	320,133	-	320,133
Amortisation of insurance acquisition cash flows	258,523	-	-	-	258,523
Net expenses from reinsurance contracts held	(1,995,579)		(1,287,775)	(564,599)	(3,847,953)
Reinsurance finance income	-	-	(13,139)	-	(13,139)
Total amounts recognised in profit or loss	(1,995,579)		(1,300,914)	(564,599)	(3,861,092)
Cash flows					
Premiums received	5,443,144	-	-	-	5,443,144
Claims & other expenses paid, including investment component	-	-	(651,373)	-	(651,373)
Acquisition cash flows paid	-	-	-	-	-
Total cash flows	5,443,144		(651,373)		4,791,771
Additional items					
Deferred acquisition costs of cash flow	(183,341)	-	-	-	(183,341)
Total additional items	(183,341)				(183,341)
Reinsurance contract assets as at 31 December 2023	1,129,832		2,560,080	123,907	3,813,819
Reinsurance contract assets as at 31 December 2023 (Restated) (refer note 23)	1,132,046	-	2,560,080	123,907	3,816,033
Reinsurance contract liabilities as at 31 December 2023 (Restated) (refer note 23)	(2,214)	-	-	-	(2,214)
Net reinsurance contract assets as at 31 December 2023 (Restated) (refer note 23)	1,129,832		2,560,080	123,907	3,813,819

Notes to the consolidated financial statements (continued)

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

16.7 Investments at fair value through other comprehensive income:

	31 Dec. 2024 KD	31 Dec. 2023 KD
Local unquoted securities	306,847	226,598
	306,847	226,598

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.

16.8 Other liabilities:

	31 Dec. 2024 KD	(Restated)31 Dec. 2023 KD
Provision for employees' end of service benefits	429,918	375,808
Provision for staff leave	217,012	210,254
Accrued expenses	123,798	100,251
Other liabilities	1,185,572	1,426,892
	1,956,300	2,113,205

16.9 Movement in policyholders' fund:

	31 Dec. 2024 KD	(Restated) 31 Dec. 2023 KD
Balance at beginning of the year (as restated)	(2,963,175)	(2,593,938)
Net deficit from insurance operations for the year / as restated (note 23)	(90,428)	(369,237)
	(3,053,603)	(2,963,175)
Fair value reserve at the beginning of the year	(904,964)	(829,055)
Change in fair value during the year	80,249	(75,909)
	(824,715)	(904,964)
Balance at the end of the year	(3,878,318)	(3,868,139)

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.

Notes to the consolidated financial statements (continued)

17 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. 2024	31 Dec. 2023
SHAREHOLDERS	KD	KD
Consolidated statement of financial position:		
Due from related parties		
- On sale of investment properties classified as held for sale (note 10)	1,923,710	2,157,929
- On sale of investment at FVTOCI	2,234,911	2,518,298
- Others	301,359	1,188,084
Due from related parties (included within other assets)	-	12,646

	Year ended 31 Dec. 2024	Year ended 31 Dec. 2023
Consolidated statement of profit or loss:		
Consultancy fees expenses	26,000	26,000
Investment fees	33,642	53,479
Provision for expected credit loss	24,463	-
Unwinding of discount for due from related parties – included in other income	12,205	-
Loss from legal claim (Note 19)	-	268,543
Gain on disposal of assets held for sale	-	171,093
Key management compensation:		
Salaries and other short-term benefits	69,663	63,284
Board of directors' remuneration (included in general and administrative expenses)	28,500	31,500
End of service benefits	4,146	4,041
	102,309	98,825
Consolidated statement of changed in equity:		
Gain on sale of investment at FVTOCI (included within equity)	-	320,312

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

Notes to the consolidated financial statements (continued)

17 Related party balances and transactions (continued)

	31 Dec. 2024 KD	(Restated) 31 Dec. 2023 KD
POLICYHOLDERS		
<i>Statement of assets, liabilities and fund:</i>		
Takaful contract liabilities	7,888	119,106
Due to related parties- Included in other liabilities	323,165	489,856
	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
<i>Statement of policyholders' results:</i>		
Takaful revenue	713,126	581,421
Rental expenses	74,380	74,380
<i>Key management compensation:</i>		
Salaries and other short-term benefits	208,990	189,853
End of service benefits	12,439	12,124
	221,429	201,977

18 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 2024				
Segment income	54,024	-	15,234	69,258
Profit/(loss) for the year before NLST and Zakat	20,382	-	(202,037)	(181,655)
As at 31 December 2024				
Total assets	5,099,114	3,053,603	4,871,082	13,023,799
Total liabilities	-	(3,053,603)	(397,707)	(3,451,310)
Net assets	5,099,114	-	4,473,375	9,572,489

Shareholders

Year ended at 31 December 2023

Segment income	239,436	-	16,228	255,664
Profit/(loss) for the year NLST and Zakat	185,957	-	(416,747)	(230,790)
As at 31 December 2023 (restated)				
Total assets	4,225,931	2,963,175	6,126,639	13,315,745
Total liabilities	-	(2,963,175)	(668,231)	(3,631,406)
Net assets	4,225,931	-	5,458,408	9,684,339

Notes to the consolidated financial statements (continued)

18 Segmental analysis (continued)

	Investment	Takaful insur-	Unallocated	Total
	KD	KD	KD	KD
Policyholders				
Year ended at 31 December 2024				
Takaful revenue	-	3,117,728	-	3,117,728
Reinsurance service results	-	(2,702,231)	-	(2,702,231)
Net surplus/(deficit) for the year	33,070	403,267	(526,765)	(90,428)

As at 31 December 2024				
Total assets	1,128,847	3,775,773	250,094	5,154,714
Total liabilities	-	(7,309,630)	(1,723,402)	(9,033,032)
Net assets/(liabilities)	1,128,847	(3,533,857)	(1,473,308)	(3,878,318)

Policyholders				
Year ended at 31 December 2023 (restated)				
Takaful revenue				
Takaful revenue	-	3,893,214	-	3,893,214
Reinsurance service results	-	(3,847,953)	-	(3,847,953)
Net surplus/(deficit) for the year	50,655	54,839	(474,732)	(369,238)

As at 31 December 2023				
Total assets	1,048,598	3,816,033	732,806	5,597,437
Total liabilities	-	(7,580,324)	(1,885,252)	(9,465,576)
Net assets/(liabilities)	1,048,598	(3,764,291)	(1,152,446)	(3,868,139)

19 Loss from legal claim and contingent liabilities

Legal claim paid - Shareholders

During the previous 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.

Notes to the consolidated financial statements (continued)

20 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.

Notes to the consolidated financial statements (continued)

20 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 2023: 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 2023: 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 policies 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 2023: 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 on-going 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)

20 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 re-insurance 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.

Notes to the consolidated financial statements (continued)

20 Risk management objectives and policies (continued)

(2) Life insurance contracts (continued)

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)

20 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.

20.1 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. 2024 KD	(Restated) 31 Dec. 2023 KD
SHAREHOLDERS		
Bank balances	146,944	232,450
Term deposits	1,239,000	439,000
Due from related parties	4,459,980	5,864,311
Other assets	13,850	29,878
	5,859,774	6,565,639
POLICYHOLDERS		
Bank balances	4,490	62,043
Investment deposits	822,000	822,000
Reinsurance contract assets	3,775,773	3,816,033
Amount due from shareholders	-	413,568
Other assets	233,298	238,088
	4,835,561	5,351,732

Credit quality per class of financial assets

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

Notes to the consolidated financial statements (continued)

20 Risk management objectives and policies (continued)

20.1 Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2024 and 31 December 2023, credit quality per class is as follows:

	Neither past due nor impaired			Total KD	
	High Grade KD	Standard Grade KD	Past due or impaired KD		
31 December 2024					
SHAREHOLDERS					
Bank balances	146,944	-	-	146,944	
Term deposits	1,239,000	-	-	1,239,000	
Due from related parties	-	4,459,980	-	4,459,980	
Other assets	-	13,850	-	13,850	
	1,385,944	4,473,830	-	5,859,774	
POLICYHOLDERS					
Bank balances	4,490	-	-	4,490	
Investment deposits	822,000	-	-	822,000	
Reinsurance contract assets	-	3,775,773	-	3,775,773	
Other assets	-	233,298	-	233,298	
	826,490	4,009,071	-	4,835,561	
31 December 2023					
SHAREHOLDERS					
Bank balances	232,450	-	-	232,450	
Term deposits	439,000	-	-	439,000	
Due from related parties	-	5,864,311	-	5,864,311	
Other assets	-	29,878	-	29,878	
	671,450	5,894,189	-	6,565,639	
POLICYHOLDERS (Restated)					
Bank balances	62,043	-	-	62,043	
Investment deposits	822,000	-	-	822,000	
Reinsurance contract assets	-	3,816,033	-	3,816,033	
Amount due from shareholders	-	413,568	-	413,568	
Other assets	-	238,086	-	238,086	
	884,043	4,467,687	-	5,351,730	

20.2 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)

20 Risk management objectives and policies (continued)

20.2 Liquidity risk (continued)

Maturity profile of financial assets and financial liabilities at 31 December 2024 and 31 December 2023:

	1-3 month KD	3-6 months KD	6-12 months KD	Total Up to 1 year KD	Over 1 year KD	Total KD
31 December 2024						
SHAREHOLDERS						
Assets						
Bank balances	146,944	-	-	146,944	-	146,944
Term deposits	500,000	300,000	439,000	1,239,000	-	1,239,000
Financial assets at FVTOCI	-	-	-	-	2,961,049	2,961,049
Due from related parties	-	850,160	702,684	1,552,844	2,907,136	4,459,980
Other assets	-	13,850	-	13,850	-	13,850
	646,944	1,164,010	1,141,684	2,952,638	5,868,185	8,820,823

Liabilities						
Other liabilities						
Other liabilities	-	147,399	-	147,399	-	147,399
	-	147,399	-	147,399	-	147,399
Net exposure	646,944	1,016,611	1,141,684	2,805,239	5,868,185	8,673,424

31 December 2024						
POLICYHOLDERS						
Assets						
Cash and bank balances	4,490	-	-	4,490	-	4,490
Investment deposits	-	-	822,000	822,000	-	822,000
Financial assets at FVTOCI	-	-	-	-	306,847	306,847
Reinsurance contract assets	-	3,775,773	-	3,775,773	-	3,775,773
Other assets	-	233,298	-	233,298	-	233,298
	4,490	4,009,071	822,000	4,835,561	306,847	5,142,408

Liabilities						
Takaful contract liabilities						
Takaful contract liabilities	-	7,074,238	-	7,074,238	-	7,074,238
Reinsurance contract liabilities						
Reinsurance contract liabilities	-	2,494	-	2,494	-	2,494
Other liabilities						
Other liabilities	256,017	323,165	290,513	869,695	1,086,605	1,956,300
	256,017	7,399,897	290,513	7,946,427	1,086,605	9,033,032
Net exposure	(251,527)	(3,390,826)	531,487	(3,110,866)	(779,758)	(3,890,624)

Notes to the consolidated financial statements (continued)

20 Risk management objectives and policies (continued)

20.2 Liquidity risk (continued)

	1-3 month KD	3-6 Months KD	6-12 months KD	Total Up to 1 year KD	Over 1 year KD	Total KD
31 December 2023						
SHAREHOLDERS						
Assets						
Bank balances	232,450	-	-	232,450	-	232,450
Term deposits	-	-	439,000	439,000	-	439,000
Financial assets at FVTOCI	-	-	-	-	2,891,244	2,891,244
Due from related parties	-	283,387	234,228	517,615	5,346,696	5,864,311
Other assets	-	-	29,878	29,878	-	29,878
	232,450	283,387	703,106	1,218,943	8,237,940	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	206,988	568,135	977,014	7,811,638	8,788,652

31 December 2023 (restated)

POLICYHOLDERS

Assets						
Cash and bank balances	62,043	-	-	62,043	-	62,043
Investment deposits	-	-	822,000	822,000	-	822,000
Financial assets at FVTOCI	-	-	-	-	226,598	226,598
Reinsurance contract assets	-	3,816,033	-	3,816,033	-	3,816,033
Amount due from shareholders	-	-	-	-	413,568	413,568
Other assets	-	238,088	-	238,088	-	238,088
	62,043	4,054,121	822,000	4,938,164	640,166	5,578,330

Liabilities

Takaful contract liabilities	-	7,350,157	-	7,350,157	-	7,350,157
Reinsurance contract liabilities	-	2,214	-	2,214	-	2,214
Other liabilities	28,379	524,883	211,000	764,262	1,348,943	2,113,205
	28,379	7,877,254	211,000	8,116,633	1,348,943	9,465,576
Net exposure	33,664	(3,823,133)	611,000	(3,178,469)	(708,777)	(3,887,246)

Notes to the consolidated financial statements (continued)

20 Risk management objectives and policies (continued)

20.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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

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

(a) *Currency risk*

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

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

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

(b) *Profit rate risk*

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk principally on its profit bearing deposits which carry profit rate at commercial rates.

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

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

c) *Equity price risk*

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

Notes to the consolidated financial statements (continued)

21 Fair value measurement

21.1 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. 2024 KD	(Restated) 31 Dec. 2023 KD
Shareholders' assets and liabilities		
Financial assets:		
At amortised cost:		
- Bank balances	146,944	232,450
- Term deposits	1,239,000	439,000
- Due from Parent Company	4,459,980	5,864,311
- Other assets	13,850	29,878
Financial assets at fair value:		
Investments at fair value through other comprehensive income	2,961,049	2,891,244
	<u>8,820,823</u>	<u>9,456,883</u>
Financial liabilities:		
Financial liabilities at amortised cost:		
Amount due to policyholders'	-	413,568
Other liabilities	147,399	254,663
	<u>147,399</u>	<u>668,231</u>
Policyholders' assets and liabilities		
Financial assets:		
At amortised cost:		
Cash and bank balances	4,490	62,043
Investment deposits	822,000	822,000
Reinsurance contract assets	3,775,773	3,816,033
Amount due from shareholders	-	413,568
Other assets	233,298	238,086
Financial assets at fair value:		
Financial assets at fair value through other comprehensive income	306,847	226,598
	<u>5,142,408</u>	<u>5,578,328</u>
Financial liabilities:		
Financial liabilities at amortised cost:		
Takaful contract liabilities	7,074,238	7,350,157
Reinsurance contract liabilities	2,494	2,214
Other liabilities	1,956,300	2,113,205
	<u>9,033,032</u>	<u>9,465,576</u>

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)

21 Fair value measurement (continued)

21.2 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.

21.3 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 2024

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
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SHAREHOLDERS

Investments at fair value through other comprehensive income

Foreign unquoted security	-	-	2,961,049	2,961,049
	-	-	2,961,049	2,961,049

POLICYHOLDERS

Investments at fair value through other comprehensive income

Local unquoted security	-	-	306,847	306,847
	-	-	306,847	306,847

Notes to the consolidated financial statements (continued)

21 Fair value measurement (continued)

21.3 Fair value hierarchy (continued)

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 security	-	-	2,891,244	2,891,244
	-	-	2,891,244	2,891,244

POLICYHOLDERS

Investments at fair value through :other comprehensive income

Local unquoted security	-	-	226,598	226,598
	-	-	226,598	226,598

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. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
	KD	KD	KD	KD
Opening balance	2,891,244	5,043,702	226,598	302,507
Disposals during the year	-	(2,823,603)	-	-
Change in fair value	69,805	671,145	80,249	(75,909)
Closing balance	2,961,049	2,891,244	306,847	226,598

Notes to the consolidated financial statements (continued)

21 Fair value measurement (continued)

21.3 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 maximizing the use of market-based information.

The valuation techniques used for instruments categorized 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 realized on the statement of financial position date.

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

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

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

22 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 for the year divided by total equity as follows:

	31 Dec. 2024	31 Dec. 2023
KD	KD	
Loss for the year	(181,655)	(230,790)
Total equity	9,572,489	9,684,339
Return on equity	(1.9%)	(2.4%)

Notes to the consolidated financial statements (continued)

23 Effect of restatement

During the current year, while performing the IFRS 17 actuarial calculations, the Group noticed that certain adjustments were required to the re-insurance contract assets and liabilities, takaful contract liabilities and other liabilities for the year ended 31 December 2023. Accordingly, the Group restated the carrying values of certain assets, liabilities and the total Policyholders' Fund in the consolidated financial statements as at 31 December 2023, in accordance with IAS 8: Accounting policies, changes in accounting estimates and errors.

The impact of the restatement to the shareholders' consolidated statement of financial position and the policyholders' results for the year then ended 31 December 2023 is shown as below:

As at 31 December 2023	As previously reported as at 31 December 2023	Effect of restatement	Restated balance as at 31 December 2023		
	KD				
Shareholders' financial statements*					
<i>Consolidated statement of financial position</i>					
Qard Hassan to Policyholders' fund	2,396,131	567,044	2,963,175		
Policyholders' deficit reserve	(2,396,131)	(567,044)	(2,963,175)		
Policyholders' results					
Statement of profit or loss and other comprehensive income – Policyholders					
Takaful service expenses	571,227	(661,592)	(90,365)		
Re-insurance income from reinsurance contracts held	(1,381,236)	(212,615)	(1,593,851)		
Takaful finance income for takaful contracts issued	22,435	282	22,717		
Reinsurance finance expenses for reinsurance contracts held	(15,861)	2,722	(13,139)		
Other income	177,509	68,941	246,450		
Unallocated general and administrative expenses	(905,744)	235,218	(670,526)		
Net surplus/(deficit) from takaful operations	197,807	(567,044)	(369,237)		
Policyholders' assets, liabilities and fund					
Re-insurance contract assets	3,838,708	(22,675)	3,816,033		
Takaful contract liabilities	(6,498,851)	(851,306)	(7,350,157)		
Re-insurance contract liabilities	(154,303)	152,089	(2,214)		
Other liabilities	(2,268,052)	154,847	(2,113,205)		
Total policyholders' fund	(2,396,131)	(567,044)	(2,963,175)		

* The restatement did not have any impact on the shareholders' statement of profit or loss and other comprehensive income or loss per share during the year ended 31 December 2023.

24 Comparative figures

Certain comparative figures have been reclassified to be consistent with the presentation of financial statements for the current year. This reclassification did not have any impact on the total assets, total equity and results for the comparative year.