الأولى تكافل
FIRST TAKAFUL

20

YEARS OF ESTABLISHMENT

20

YEARS OF CHALLENG

ANNUAL REPORT

الأولـــــى تـكافـــل
FIRST TAKAFUL

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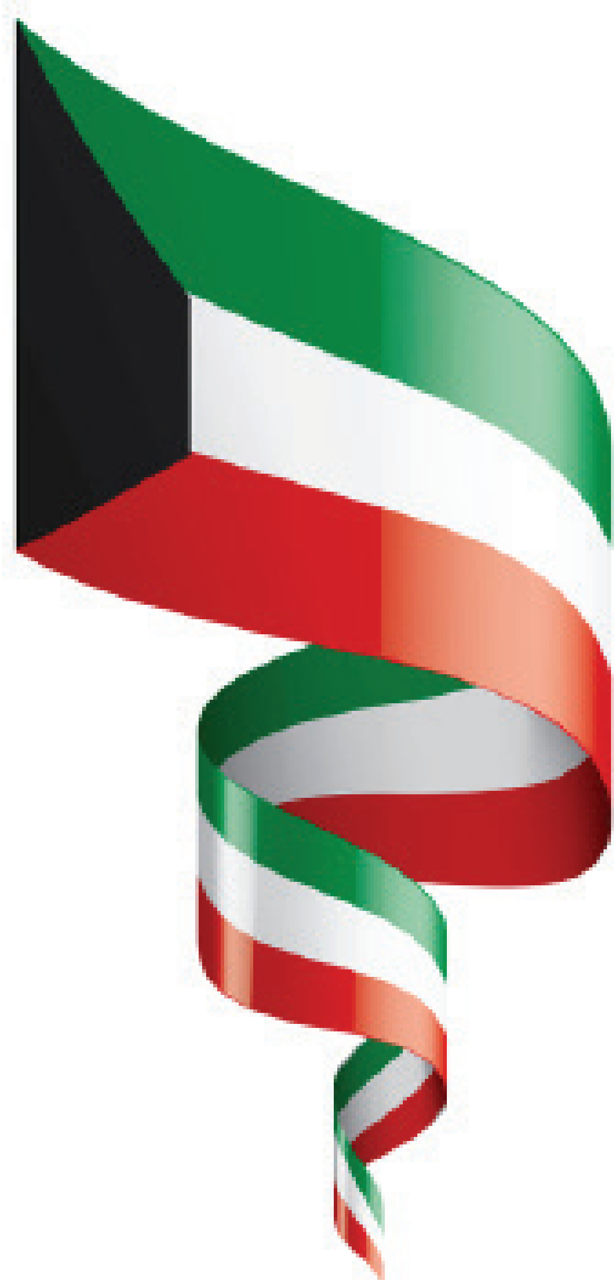
P.O.Box 5713, Safat- 13058, Kuwait

His Highness the Amir Of Kuwait

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah



KUWAIT

His Highness the Crown Prince Of Kuwait

Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah

FIRST POLICY ISSUED BY FIRTS TAKAFUL INSURANCE CO. IN 2001

Al-Murgab - Abdullah Mubarak St.
Al Enma'a Tower
P.O.Box : 5713 Safat - 13058 Kuwait
Tel.: 880055 - Fax : 2412155
Hawally : 2640202
Al-Sharq : 2468144
Web site : www.firsttakaful.com

الأولى للتأمين التكافلي ش.م.ك
1st TAKAFUL INSURANCE Co.

المرقاب - ش عبدالله المبارك - برج الإنماء
ص.ب.: 5713 صفاة - الرمز البريدي : 13058 الكويت
تلفون : 880055
فاكس : 2412155
حولي : 2640202
شرق : 2468144
E-mail : info@firsttakaful.com

تأسست بموجب قرار وزاري رقم ٢٠١ لسنة ٢٠٠١ – رأس المال المصرح به ١٠,٠٠٠,٠٠٠ د.ك
شركة خاضعة لأحكام قانون شركات ووكلاء التأمين رقم (٢٤) لسنة ١٩٦١ رقم الإجازة (٢٤)

وثيقة تأمين المسؤولية المدنية الناشئة عن حوادث المركبات

التاريخ :

بيانات الوثيقة

رقم الوثيقة	0161011	نوعها	
رقم الملحق		نوعه	
تسري عن المدة من	2001/03/18	إلى	2002/03/17

بيانات المؤمن له

اسم المؤمن له (المشترك)	حامد محمد حامد محمد		
العنوان	حولي ق:8 ش:260 : قسيمة 6304 د1 شقة: 5	تلفون	60014482
		المهنة	
اسم المؤمن له (المشترك) الجديد			
العنوان		تلفون	
		المهنة	

*يسري مفعول هذه الوثيقة عن مدة ترخيص المركبة وفقاً لأحكام المادة ٥ من القرار رقم ٨١ الصادر بقانون السير – وينتهي مفعولها بانتهاء هذه المدة.

بيانات المركبة

رقم اللوحة	73165 حولي	شكل المركبة	بوكس
صنع المركبة	1992	اللون	ابيض
الطراز	بيجو 505	جديدة / مستعملة	
رقم الهيكل	1703242120	رقم الماكينة	
عدد الركاب	6	قوة الماكينة بالحصان	
نوع الوقود	بنزين	الغرض من الترخيص	
الوزن فارغة / بالحمولة			

– يقر المؤمن له (المشترك) أنه اطلع على الشروط والأحكام الملحقة بالوثيقة وأنه تسلم عند إصدار هذه الوثيقة نسخة منها.

	دينار	فلس
قيمة القسط (الإشتراك)	13	500
رسوم الإشراف	0	500
مصاريف إصدار	6	000
مصاريف تحويل		
المجموع	20	000

توقيع المؤمن (الشركة)

توقيع المؤمن له (المشترك)

Table of Contents

Company Profile

First Takaful Insurance Co (First Takaful) was established in August 2000 with the objective of providing Takaful insurance solutions to individuals, commercial establishments and the various industrial sectors in Kuwait. The company has the distinction of being the first company licensed to offer Takaful (Islamic alternative to the conventional Insurance) in Kuwait.
Over the years, First Takaful has demonstrated several superior qualities such as adaptability, agility, commitment to customer service, credibility and dependability thereby distinguishing it from others. One of our key differentiators is that we work through dedicated professional teams that understand our customer's needs and offer personalized solutions.
Nowadays, First Takaful is an independent, financially strong entity operating fully out of its own funds with a paid capital of KD 10,660,000 and having its own independent management. FTIC is listed in the Kuwait Stock Exchange under (stock symbol: First takaful).

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

TAKAFUL

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

VISION

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

MISSION

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

OUR VALUES

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

same. Our values are:

• Commitment

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

OUR STRATEGY

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

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

OUR OBJECTIVES

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

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

SPEECH OF CHAIRMAN OF THE BOARD

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

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

Dear Shareholders,

I am pleased to extend my thanks and gratitude to you for accepting our invitation to attend the Ordinary General Assembly of the Company for the financial year ended on 31 December 2020. I and the brothers, Members of the Board of Directors also have the honour to present to you the annual report on the results of the company›s business, its achievements, its financial statements, the report of the Governance, the report of the Audit Committee and the report of rewards and benefits as well as the report of the Fatwa and Shari›a control authority.

My brothers shareholders:

During the year 2020, First Takaful continued to enhance the capital and technical reserves of the shareholders and policyholder's portfolios, in addition to the conservative policy of subscription to enhance the financial solvency of the company to raise the company›s efficiency and its ability to compete in the market.

Corporate governance and social responsibility

"FIRST TAKAFUL" committed to the implementation of all laws and regulatory decisions issued by the Ministry of Commerce and Industry, Capital Market Authority and Kuwait Stock Exchange, and through its commitment to internal control policies, risk management, procedures and powers, principles of good governance, the application of the tax compliance law and also through its full adherence to the provisions of Islamic law "Sharia" in its dealings in insurance, reinsurance and investments.

Whereas «FIRST TAKAFUL» company was keen on committing to its social responsibility and organizing awareness campaigns, as the company initiated to contribute to its social responsibility with an awareness campaign about insurance among individuals and all sectors in the State of Kuwait, accordingly, the company's management has issued, until 2020, twenty periodicals to increase the insurance awareness in the insurance market in Kuwait.

Shareholders› Results:

"FIRST TAKAFUL" in 2020 has achieved a loss of (5,696,782) KD compared to a profit of 840,981 KD for 2019 with a loss rate of 777 %, this loss is mainly due to the record of currency exchange difference loss of 4,700,119 KD. From an investment in an associate company, and loss of share of 53.44 fils in 2020 Compared to earnings per share of 7.89 fils in 2019. Shareholders› equity for the current year amounted to 7,999,784 KD compared to 8,755,749 KD in the previous year by a decrease of %8.6, Total assets of shareholders in the current year amounted to 14,255,367 KD compared to 14,311,466 KD in the previous year with a decrease of 0.4 %.

We would like to draw the attention of the shareholders that in May 2020 the entire share of the "FIRST TAKAFUL" company in its investment in an associate company (Neova Sigorta) - Turkey was sold with an amount of 12,140,000 KD. This is according to the currency exchange rate at the date of sale, noting that the value of what was paid in this investment is 3,720,127 KD. In cash, and during the past years the company recorded profits in its budgets according to international accounting standards, but in 2020 a currency difference loss was recorded in the amount of (4,940,817 KD) and this loss represents changes in the currency exchange value that was previously recorded in the company›s budget. In the Equity capital property rights under the clause of foreign exchange reserve.

It is worth mentioning that no penalties or irregularities were imposed by the regulatory authorities during the year 2020 against the company.

The remuneration of the members of the Board of Directors and the remuneration of the attendance of the committees emanating from it during 2020 and the bonuses, benefits and monthly salaries received by the Executive Directorate are attached to the report of the Nominations and Remuneration Committee in the annual report for your review.

Results of the portfolio of insurance policies holders:

In 2020, the global insurance market witnessed a significant impact from the Corona pandemic, as great losses were recorded, which led to the withdrawal of many reinsurance companies from the reinsurance markets, which resulted in strictness in the renewal of agreements and the limits of coverage and their prices.

"FIRST TAKAFUL", praise be to God during the Corona pandemic, was able to take precautionary measures related to the Coronavirus (COVID19-). The company continued its usual activities without interruption through digital transformation, computer applications and remote work. All reinsurance agreements were renewed, as well customer service continued in issuing insurance coverage for them and paying compensation in a satisfactory manner to both parties, the company also puts its sights on the continuous development of modern technology systems to serve the company›s customers and shareholders.

Subscribed contributions for the financial year 2020 amounted to 2,753,644 KD compared to that was achieved by the company in the financial year 2019, which amounted to 4,612,781KD with a decrease of 1,859,137 KD by 40 %. This decrease is attributed to the
the effects of the Corona pandemic, stopping of works, not launching new projects, and also as a result of the clearing of the cars portfolio and the excluding of customers› contributions with high loss rates.

The policyholders› portfolio for the year 2020 recorded an insurance deficit of 808,382 KD against an insurance deficit of 187,329 KD, which was achieved in 2019. the loss incurred by the company as a result of setting aside amounts allocations with doubtful collection about redemptions from local insurance companies.

My brothers shareholders:

The insurance market environment and intense competition have forced the company to look out for understanding the rules of survival and put the company on the path of growth and prosperity. Whoever can qualify the skilled human resources, will occupy the leadership and provide it with a competitive advantage, so "FIRST TAKAFUL" enhance its investment in human competencies, localize national manpower, train and develop the administrative and technical skills of its employees.

Insurance control

With the establishment of the Insurance Regulatory Unit to supervise and control the insurance sector in the State of Kuwait, the company hopes to regulate the market, especially after the approval of the Insurance Law No. 125 of 2019, as well as the formation of the members of the Insurance Regulatory Unit. The company is betting on more market regulation after the issuance of Decision No. 21 of 2021 regarding the issuance of the executive regulations of Law No. 125 of 2019 regarding the regulation of insurance, which will lead to improving the performance of operating companies and avoiding negative competition, the company expects that it will be a positive jump in terms of resolving the negatives of the insurance sector that has been suffering from it for several years, more than twenty years.

BOARD OF DIRECTORS

Abdullah Abdul Razzaq Al Asfour

Chairman of the Board - Non-Executive Member

Hussain Ali Al-Attal

Vice-Chairman - Chief Executive Officer - Executive Member

Laila A. Al-Ebrahim

Board Member - Non-Executive Member

Saleh Mohammad Altnaib

Board Member - Non-Executive Member

Osama Abdul Latif Al Abdul Jalil

Board Member- Independent Member

Bader Jassim Alhajeri

Board Member- Non-Executive Member

Rami Habli

Board Member- Non-Executive Member

Malik Salim Oraiat

Secretary of the Board

In The Name of Allah Most Gracious Most Merciful

Fatwa and Shari›a Supervisory Board Report

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

The Fatwa and Shari›a Supervisory Board of First Takaful Insurance Company KSPC is pleased to submit to you its report on the company's transactions and operations for the financial year ended 31/12/2020 for presentation to the company's general assembly.

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

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

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

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

Sheikh Dr.
Mohammed Abdul Razzaq Al-Tabtabai
Member of Fatwa and Shari›a Supervisory Board

Dr. Essam El Ghareeb
Member o Fatwa and
Shari›a Supervisory Board

Shari'a Supervisory Board:

Sheikh Dr. Anwar Shuaib Abdul Salam

Chairman of Fatwa and Shari'a Supervisory Board

Sheikh Dr. Mohammed Abdul Razzaq Al-Tabtabai

Member of Chairman of Fatwa and Shari'a Supervisory Board

Dr. Essam El Ghareeb

Member of Fatwa and Shari'a Supervisory Board

Undertaking of Board of Directors on Financial Reports

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

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

Kuwait: 31/03/2021

Undertaking of Board of Executive Management on Financial Reports

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

Vice-Chairman Chief Executive Officer: Hussein Ali Al-Attal

Signature

V.P Finance & Administraion: Malik Salim Oraikat

Signature

First Takaful Insurance Co.
11
الشركة الأولى للتأمين التكافلي

Kuwait: 31/03/2021

FIRST TAKAFUL INSURANCE COMPANY (K.P.S.C)

REPORT OF CORPORATE GOVERNANCE
FIRST TAKAFUL INSURANCE COMPANY (K.P.S.C)
FOR THE YEAR 2020

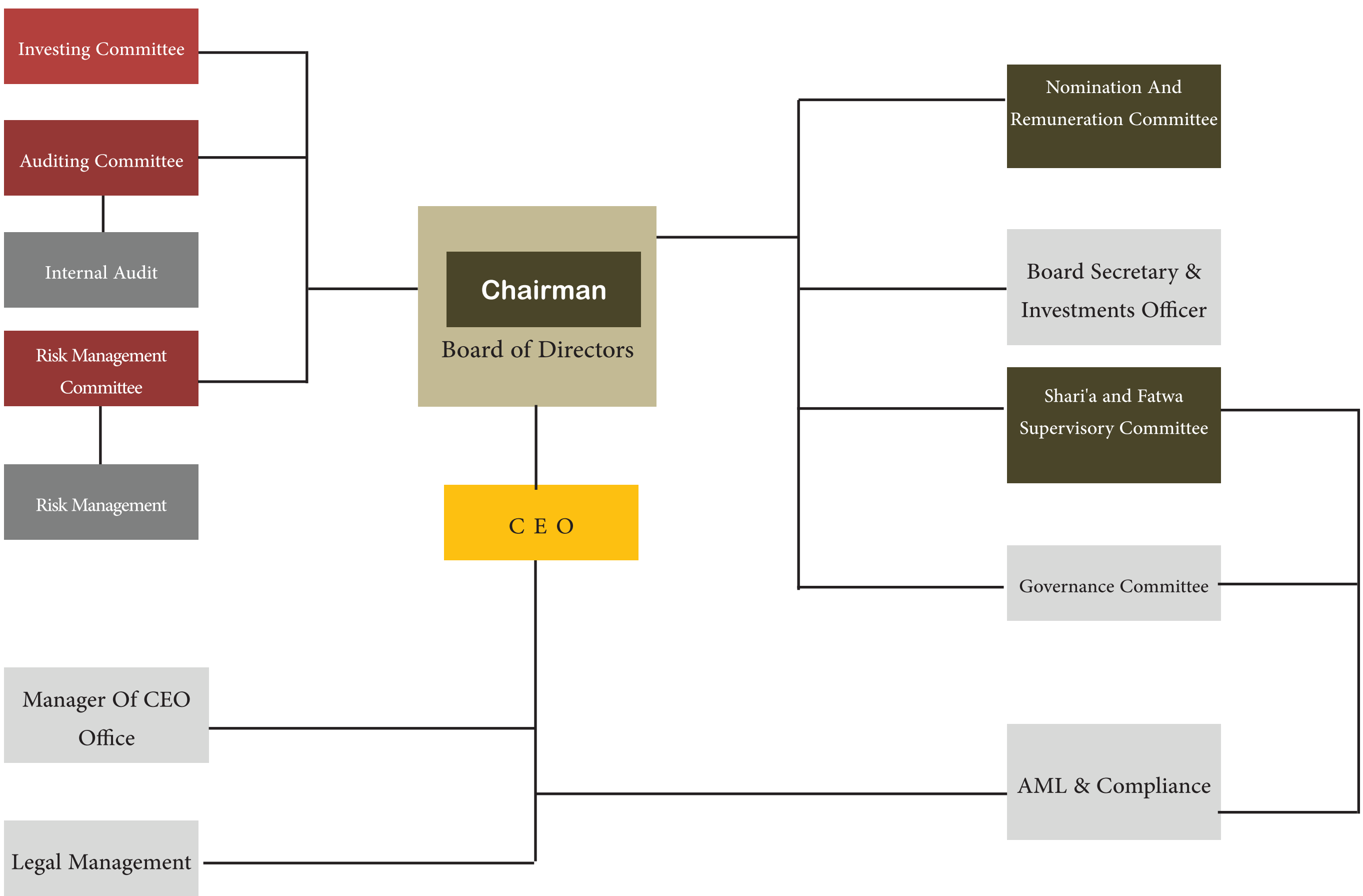
March 2021

Members of Corporat Governance Committee			
Members	Abdullah Abdul Razzaq Al Asfour	Hussein Ali Al–Attal	Laila A. Al-Ibrahim
Title	Head of committee	Member of committee	Member of committee
Signature			

GOVERNANCE:

Takaful Insurance Company operates within the framework of good governance through the application of corporate governance from principles, regulations and procedures through which achieving the best protection and balance between the interests of the management of the company and shareholders as well as stakeholders, FIRST TAKAFUL Through the application of good governance, seeks to enhance investor confidence in the company's efficiency and ability to meet Crises, the framework of good governance regulates the internal decision-making methodology of the company, and stimulates the commitment to transparency and credibility to those decisions, as well the separation of power between the executive management, which works on the business of the company and the board of directors which prepares ,reviews and approves the policies and plans of the company gives a comfortable and reassuring character and enhances the sense of confidence, this enables shareholders and owners to actual control over the company , This comes to closer and consolidate ethical behavior, control, accountability and proper administrative organization, and work to enhance administrative efficiency, the procedures of supervision and auditing and social responsibility, and this comes as commitment from FIRST TAKAFUL to implement the provisions of the Fifteenth Book (Corporate Governance) from the Executive Regulations of Law No. 7 of 2010 regarding the establishment of the Capital Market Authority and the regulation of securities activity and its amendments - State of Kuwait .

Governance Framework:



RULE 1 - BUILDING A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS:

About The Board Of Directors:

The Takaful Insurance Company's Board of Directors is chaired by a Board of Directors of seven members with diverse expertise and skills, elected by shareholders through company general assembly held on 16/04/2020 so their membership shall be for the next three years to achieve the sustainable value of stakeholders (shareholders, customers, employees and the community). The Board enjoys a majority of non-executive members and one independent member; this reinforces the principle of independence in decision-making and monitoring the performance of the executive management to achieve the desired objectives. It is worth noting that on the date of 22/04/2020, some changes occurred in the membership of the Board of Directors. The resignation of each member of the Board of Directors / Kuwait Holding Company and its representative, as well as a member of the Board of Directors / International Financial Advisors Company and its representative have changed, and the representative of the member of the Board of Directors has changed / The International Resorts Company, with its membership remaining on the Board of Directors, was immediately called up, which is Al-Deera Holding Company. As well The Board of Directors exercises these powers and responsibilities in accordance with the Company's policies and the work system of Board of Directors. The Board of Directors is fully responsible for the "First Takaful". The scope of the Board of Directors includes, but is not limited to:

- Setting the company's strategy and setting the desired goals and drawing future plans for the company.
- Determining the risk appetite of the company.
- To adhere to the standards of good governance and follow up their implementation.
- Supervising the executive management and supervising its performance and its work, including the CEO.

The Board's commitment to the implementation of good governance is one of the main axes to ensure that the company's objectives are achieved and the foundations of the governorate on the trust granted by the shareholders, and the Board of Directors shall bear all responsibilities related to the operations of "First Takaful" and it's Financial safety, and ensure compliance with the requirements of the regulatory bodies, and maintain the interests of shareholders and employees, and other parties of Stakeholders and ensure that the management of "First Takaful" is within the scope of laws and regulations in force and internal policies adopted by "First Takaful".

Board Of Directors :

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

Organization Of Board Meetings:

Based on the commitment of the FIRST TAKAFUL Insurance Company to organize periodic meetings, implement the highest standards of governance and comply with the requirements of the laws and regulations of the regulatory authorities, the Ministry of Commerce and Industry, the Companies Law and the Capital Market Authority, Corporate Governance, that the number of meetings of the Board of Directors shall not be less than (6) annually , The Board of Directors shall convene one meeting at least every quarter.

Summary Of First Takaful Board Meetings During 2020:

The Board of Directors of FIRST TAKAFUL Insurance Company held (8) meetings during 2020, the following table details the Meetings and number of meetings attended by each member during 2020.

Member name /title	Meeting no. (1/2020) Dated 15/01/2020	Meeting no. (2/2020) Dated 04/02/2020	Meeting No. (3/2020) Dated 16/04/2020	Meeting no. (4/2020) Dated 16/06/2020	Meeting no. (5/2020) Dated 28/7/2020	Meeting no. (6/2020) Dated 16/8/2020	Meeting no. (7/2020) Dated 10/9/2020	Meeting no. (8/2020) Dated 12/11/2020	Number of Meeting	Attendance Percentage
Mr. Abdullah Al Asfour Board Chairman	√	√	√	√	√	√	√	√	8	100%
Mr. Saleh Al-Silmi Vice Board Chairman	√	√	√	√	√	X	-	-	6	75 %
Mr. Hussein Al-Attal Member of Board	√	√	√	√	√	√	√	√	8	100 %
Mr. Osama Al Abdul Jalil Independent Member	√	√	√	X	X	√	X	√	5	62.5 %
Mrs. Laila A. Al-Ibrahim ^ Member of Board	-	-	-	-	-	-	-	√	1	12.5%
Mr. Saleh Al-Tnaib ^ Member of Board	-	-	-	-	-	-	-	√	1	12.5%
Mr. Rami Habli * Member of Board	√	√	√	√	√	x	√	√	8	100 %
Mr. Bader Alhajeri * Member of Board	√	√	√	√	√	√	√	-	7	87.5 %
Mr. Talal Albahar * Member of Board	X	X	X	√	√	√	X	-	4	50 %

“*”Members who have resigned from membership of the Board of Directors.
“^” Members chosen to represent the company›s board membership for the coming years.
“ “ Attended the Board of Directors meeting.
“×” He did not attend the board meeting.
“-” The Board of Directors meeting was held and did not have the capacity of a member of the Board of Directors.

Summary Of The Most Important Achievements And Decisions Taken By The Board Of Directors During 2020:

The Board of Directors of the FIRST TAKAFUL to follow up the implementation of strategic plans and desired objectives, and works to communicate with the Executive Management to achieve these goals and plans, and the Board of Directors focused on the application of standards of good governance to the work method of the company, and through 2019 issued several resolutions and achievements The most important of which are:
Approving the estimated budget and the company's business plan for the coming years 2021-2024.

- The approval of the Board of Directors to sell the entire 35% stake of the First Takaful Insurance Company in its investment in an associate company (Neofa Sigorta) - Turkey.
- Approval of the company's draft financial statements for the fiscal year ending on 31/12/2019 after the approval of the audit committee's recommendations.
- Approval of updating the charter of the Governance Committee and the Nomination and Remuneration Committee.
- Approving the updating of the job description for each of (board members - independent member - CEO - chairman of the board of directors - board secretary).
- Approval of the approval and commitment of the Board of Directors regarding the financial reports for the year ended 31/12/2019.
- The Board of Directors decided to transfer the amount of 7,000,000 KWD. (Seven million Kuwaiti dinars) to Kuwait Holding Company, it is necessary to invest in income-generating real estate, provided that the Investment Committee is provided with details of the properties nominated for investment, in order to study and approve them, and refer them to the Board of Directors for final approval.
- The Board of Directors approved the establishment of a portfolio in real estate investments with the Nozha International Real Estate Company (LLC) in accordance with the recommendation issued by the Investment Committee. The Board of Directors has been reconstituted.
- Re-nominating and approving board committee members.
- Approval of the Minutes of the Governance Committee for the year 2020.
- Approval of the minutes of the Nominations and Remuneration Committee for the year 2020.
- Approval of the minutes of the Investment Committee for the year 2020.
- Approval of the minutes of the Audit Committee for the year 2020.
- Approval of the minutes of the Risk Management Committee for the year 2020.
- Discuss and agree to all reports of the audit committee regarding the draft financial statements of the company for all quarters of the year 2020.
- The Board of Directors reviewed the precautionary measures taken by the executive management of the company in cooperation with the risk management team related to Coronavirus (COVID-19).

Record, Coordinate And Save Minutes Of Board Meetings / Secretary's Work:

The Secretary of the Board of Directors has prepared a special record for the meetings of the Board of Directors of the FIRST TAKAFUL Insurance Company. The register also contains :

- the agenda information of each meeting.
- its date, the venue .
- the timing of the beginning and the end of the meeting.

The secretary also provides the Board members with the agenda Backed by documents and documents associated with it, before enough time allowing for members to study the items on the agenda.
The minutes of the meeting shall be signed by all the members of the Board of Directors and the Secretary. The Secretary shall also ensure the delivery, distribution and coordination of information among the members of the Board of Directors and between the stakeholders and other entities associated with the Company.

RULE 2 - PROPER IDENTIFICATION OF TASKS AND RESPONSIBILITIES:

"A summary of how to apply requirements that allow board members to access information Accurately and timely data"
The company is committed to building a balanced structure of the Board of Directors through good governance. The Board members are provided with a specific agenda, supported with all the specific topics and the necessary documents and information through the various communication methods used in the company and this should be done by secretary, at least three working days prior to the meetings of the Board of Directors, excluding from that the urgent meetings so that the members may study and review the issues well before the meeting, and therefore beneficial to the operations of the company and taking appropriate decisions in it because of the effectiveness of meetings of the Board of Directors.

Work Policy Of The Board Of Directors / Executive Management:

Takaful Insurance Company has been keen to provide clear policies and procedures that define the duties, responsibilities and tasks of the Board of Directors and the Executive Management, and to ensure that the organizational structure of the company is transparent and objective enabling decision-making and the implementation of governance principles.

FIRST TAKAFUL insurance company also updates these policies and procedures, as well as the matrix of financial powers, management and organizational structure for them periodically, to keep pace with any change or update.

Policy Of The Board Of Directors Work:

The text of the Charter of the Board of Directors of FIRST TAKAFUL that the Council direct supervision and control of business management to protect the interests of stakeholders in terms of principles of good governance, and maintain internal control, financial and accounting and follow-up reports, and is committed to comply with the laws and instructions implemented by the regulatory bodies and the statute and internal regulations and policies of the company .

Policies And Procedures Regulating The Work Of The Executive Management:

The FIRST TAKAFUL Company has developed and implemented a policies and procedures manual for all of the company›s departments, In addition to the policies related to the requirements of the executive regulations of - book fifteen - of Corporate Governance issued by the Capital Market Authority - Kuwait, as well as policies related to the requirements of the other regulatory bodies ,every manual contains the tasks of competent department and the its obligations in details, which works as follows:

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

The company also has a mandate delegation matrix which covers all departments operating within the company and has been updated and implemented on 12/11/2020.

The Board of Directors of the FIRST TAKAFUL Insurance Company formed committees which are independent in accordance with the internal regulations of the company. It includes a comprehensive definition of the functions and responsibilities of the committees and the powers granted to them during the period, as well as the manner of supervising them. The committees of the board of directors are also obliged to inform the Board of about its findings and recommendations. The committees also reconstituted by the members of the Board of Directors on the date of 25/04/2020, and the duration and period of work of these committees was determined to be updated with the duration and period of their members and with the election of members of the Board of Directors every three years.

The Formation Of Committees Of The Board:

RULE 3 - SELECTION OF QUALIFIED PERSONS FOR BOARD MEMBERSHIP AND EXECUTIVE MANAGEMENT:

Nomination And Bonuses Committee:

The Nomination and Bonuses Committee shall be considered as emerging and specialized committee composed of members of the Board of Directors. The Committee shall undertake a number of the following main tasks:

- To prepare recommendations to the Board of Directors regarding the proposed nominations through the comprehensive framework and transparent appointment of directors and senior management.
- Establish a clear policy for the bonuses of the Board of Directors and Executive Management.
- Preparation of a detailed report on bonuses to members of the Board of Directors and Executive Management;
- Making sure not precluded independence of the independent member of the Board of Directors.

Formation Of The Committee:

FIRST TAKAFUL Company is committed to forming the Board Committees in accordance with the provisions and articles of the 15 book of Corporate Governance . The Committee of Nominations and Bonuses has been formed as follows:

* Number of members of the Committee is three members from the board of directors.
* One member of the Committee is an independent member.
* The Chairman of the Committee is a non-executive member of the Board of Directors.

Below Are The Meetings Of The Nomination And Bonuses Committee Of The Company «First Takaful» For 2020:

NOMINATION AND BONUSES COMMITTEE			
Members	**Saleh Saleh Al-Silmi Head of committee**	**Hussein Ali Al-Attal Member of committee**	**Osama Abdul Latif Al Abdul Jalil Member of committee- Independent**
Meeting no. 01/2020	√	√	√-
Attendance percentage	100 %	100 %	100 %

The Most Important Achievements Of The Committee During 2020:

Usually, a nomination and remuneration committee is formed for the next three years.

• Preparing the detailed annual report on all remunerations granted to members of the Board of Directors and the Executive Management, whether they are amounts, benefits or benefits, and submitting the report to the company's general assembly for approval, and it shall be read by the Chairman of the Board of Directors.

• Update the Nomination and Remuneration Committee charter.

• Reviewing the needs of the executive management in filling some executive positions, and authorizing the CEO to take all necessary procedures.

• Confirming that the independent board member has no independence status prior to signing the independence declaration.

• Reviewing and updating the organizational structure of the company and the matrix of financial and administrative powers.

• Update the job description for each of (members of the board of directors - independent member - chief executive officer - chairman of the board of directors - secretary of the board) and elevation to the board of directors.

Report on remunerations granted to members of the Board of Directors and executive management during the year 2020:

Report of the bonuses granted to members of the board of directors and executive management during the year 2020:

First, Incentives And Rewards System Have Been Followed The Company:

The reward and incentive system granted to the Board of Directors and the executive management of Takaful Insurance Company is based on the indicators and the level of performance and achievement at the company level in general and also at the level of individuals in particular during the year ended, which works to achieve the company›s strategic objectives.

Second: The Bonuses Granted To Members Of The Board Of Directors And The Executive Management, Whether Amounts, Benefits Or Advantages . Below Are Details Of The Values For All Bonuses:

- Bonuses of the Board of Directors:

The value of fixed bonuses awarded KD	The value of the variable bonuses awarded KD	Total awarded bonuses K.D
-	10.500 KD	10.500 KD

- Bonuses of the Company management – executive management :

Management	The value of fixed bonuses awarded KD	The value of the variable bonuses awarded KD	Total awarded bonuses K.D
Top Management	152,729.68 KD	0 KD	152,729.68 KD
Executive Management	430,848.07 KD	6175 KD	437,023.07 KD

Total bonuses of the executive management and top management - is 589,752.75 KD

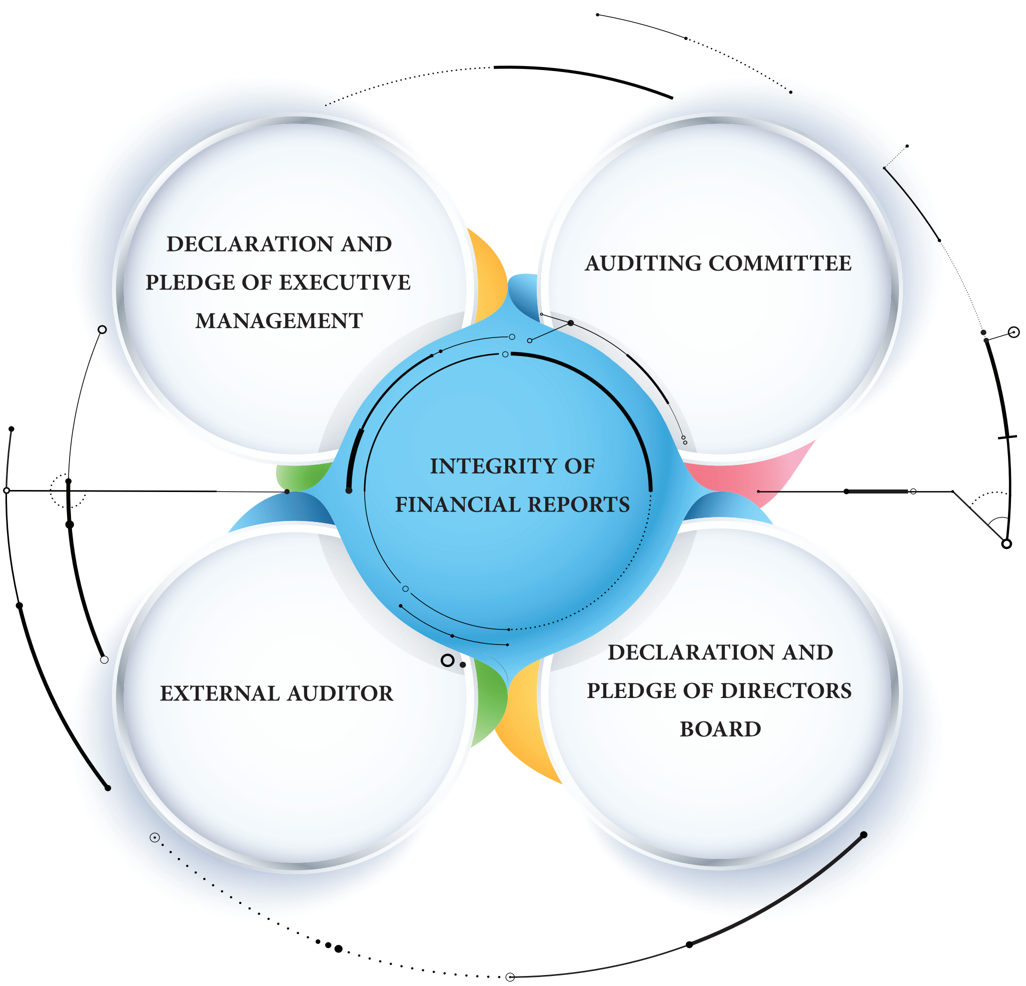
Third : Other Awards Have Been Granted Directly Or Indirectly:

- **There are no other rewards**.

Fourth : Substantial Deviations From The Approved Bonuses Policy:

- **There is no substantial deviations**.

RULE 4 ENSURING THE INTEGRITY OF FINANCIAL REPORTS:



Declaration And Pledge Of Executive Management About Financial Reporting:

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

Declaration And Pledge Of Board Of Directors About Financial Reports:

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

The Audit Committee :

The Audit Committee is an important part of the Board of Directors of the FIRST TAKAFUL Insurance Company. The Committee also undertakes a number of key functions as follows:

- Ensure the integrity of the financial statements of the company;
- Recommend to the Board of Directors the appointment, reappointment or change of external auditors and the determination of their fees;
- the efficiency and effectiveness of internal control systems and ensure compliance;
- Recommend the appointment of the Director of Internal Audit and evaluate the performance and effectiveness of the internal audit management of the company;
-the company›s compliance with legal requirements, policies, systems and related instructions.

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

Formation Of The Committee:

FIRST TAKAFUL company is committed to the formation of the board of directors committees in accordance with the provisions of the fifteenth book on corporate governance. The Audit Committee was formed as follows:

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

BELOW ARE THE MEETINGS OF THE AUDIT COMMITTEE OF THE COMPANY «FIRST TAKAFUL» IN 2020:

AUDIT COMMITTEE			
Committee Members	**Rami Habli Head of Committee**	**Badr J. Alhajeri Member of committee**	**Osama Abdul Latif Al AbdulJalil Member of committee– Independent**
Meeting no. 01/2020	√	√	√
Meeting no. 02/2020	√	√	√
Meeting no. 03/2020	√	√	√
Meeting no. 04/2020	√	-	√
Attendance percentage	100 %	75 %	100 %

The Most Important Achievements Of The Committee During 2020 :

•Viewing and discussing the draft annual financial statements of the company for the fiscal year ending on 31 December 2019, and the Board of Directors 'recommendation for approval.

• Viewing and approving the report issued by the internal auditor (Procapita Management Consulting Company) "related to reviewing and evaluating the internal control systems applied in the company" - as on December 31, 2019.

• Reviewing and approving the report issued by the audit committee on "assessing the adequacy of the internal control systems applied within the company in addition to the opinion and recommendations of the audit committee in this regard," as on December 31, 2020, and recommending to the Board of Directors the approval of the report.

• Reviewing and discussing the report issued by an independent audit office (Grant Thornton - Kuwait) on the assessment and review of internal control systems - Internal Control Report and reporting to the Capital Markets Authority (State of Kuwait).

• Viewing, discussing and approving reports issued by the internal auditor (Procapita Management Consulting Company).

Reviewing and discussing the draft of the company's interim financial information for the financial period ending on March 31, 2020, and the Board of Directors 'recommendation for approval.

Discussing and approving the internal audit plan 2020-2021.

Reviewing and discussing the draft of the company's interim financial information for the financial period ending on June 30, 2020, and the Board of Directors 'recommendation for approval.

Reviewing and discussing the draft of the company's interim financial information for the financial period ending on September 30, 2020, and the Board of Directors 'recommendation for approval.

• The internal audit policies and procedures were reviewed and approved.

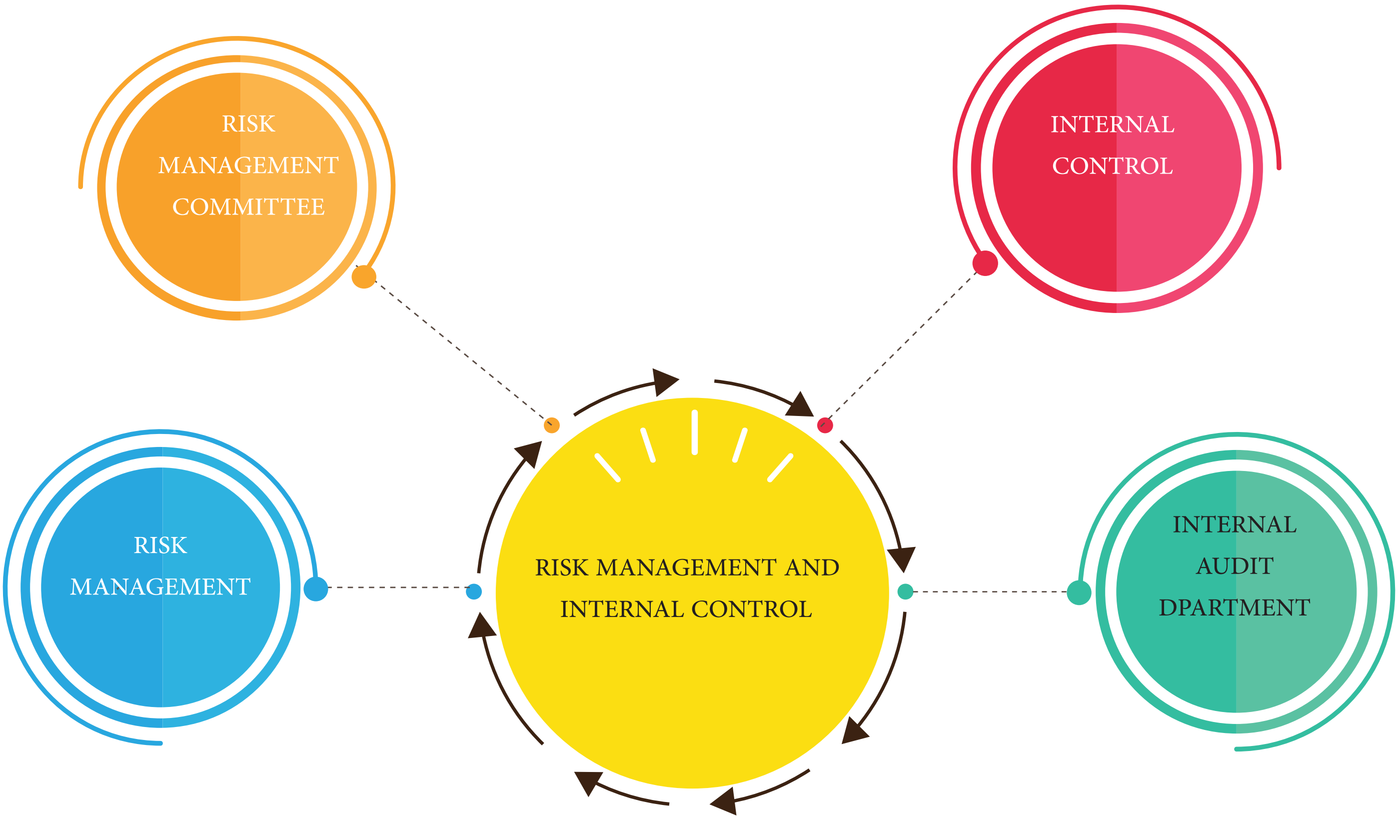
• The recommendation of the Board of Directors to reappoint Mr. Grant Thornton - Kuwait as the external auditor for the company to carry out the external audit work for the fiscal year ending on December 31, 2020, and we confirm the independence of the auditor.

External Auditor:

The FIRST TAKAFUL Insurance Company has an auditor registered in the register of auditors of the Capital Market Authority, and is fully independent of the company «First Takaful» and its board of directors. The company also allows the auditor to discuss his views with the Audit Committee and is able to attend the meetings of the General Assembly and read the report prepared by him, to the shareholders, the auditor has great powers to inform the Capital Market Authority about any violations or obstacles in detail.

The representative of the Office of the External Auditor at First Takaful Insurance Company attended 4 meetings of the Audit Committee for the year 2020 and discussed with the members of the Committee all the financial statements.

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



Risk Management:

Risk management in the company is responsible for identifying, measuring and monitoring the risks surrounding the company. It also makes appropriate recommendations to the Board of Directors. Risk managers enjoy full independence and direct subordination to the Board of Directors ,they also have great authority to perform their duties properly.

Noteworthy Procapita Management Consulting provides risk management consultancy services to First Takaful Insurance Company.

Risk Management Committee:

The Risk Management Committee is a specialized risk management committee that is formed and constituted by the Board of Directors. The committee plays its main role and functions as follows:

- identify and assess the major risks surrounding the company as well as strategic and operational risks;
- Prepare and review risk management policies before they are approved by the Board of Directors;
- Ensure the independence of risk management and that the management staff fully understand the risks surrounding the company;
- Prepare periodic reports on the nature of the risks facing the company and submit them to the Board of Directors.

Constitution Of The Committee:

The Company is committed to constitute the Board of Directors committees in accordance with the provisions of Article 15 of Corporate Governance. The Risk Management Committee has been formed as follows:

- The number of members of the Committee is three members of the Board of Directors;
- Head of the Committee is a non-executive board member;
- The Chairman of the Board shall not be a member of the Committee.

Below Are The Meetings Of The First Takaful Risk Management Committee For 2020:

RISK MANAGEMENT COMMITTEE				
Committee Members	Saleh Alsilmi Head of committee	Hussein Al-Attal Committee Member	Rami Habli committee Member	Talal Albahar committee member
Meeting no. 01/2020	√	√	√	√
Meeting no. 02/2020	√	√	√	√
Meeting no. 03/2020	√	√	√	√
Attendance percentage	75 %	-	-	75 %
Restructuring the committee	Saleh M. Altnaib Head of committee	Hussein Al-Attal Committee Member	Rami Habli committee member	
Meeting no. 04/2020	√	√	√	
Attendance percentage	25 %	100 %	100 %	-

The Most Important Achievements Of The Committee During 2020:

• Review and review (update) risk management policies and procedures and recommend Board approval.
• Access and review the precautionary measures to combat the spread of the Coronavirus, COVID-19
Review, review and approval of the semi-annual risk management report as of December 31, 2019.
• Viewing and reviewing the guidelines for the activities of the gradual return to normal life plan (July 2020).
Reviewing and reviewing the risk management report as of June 30, 2020.

Internal Control:

FIRST TAKAFUL depends on a set of control systems and control rules that cover all the company's business and management, and these systems and rules maintain the integrity of the financial position of the company and the accuracy of its data and the efficiency of its operations in various aspects, The organizational structure of the company reflects the dual control measures and includes the proper identification of powers and responsibilities, the complete separation of duties and non-conflict of interests, the examination and dual control and dual signature.

Evaluation And Review Of Internal Control Systems:

The report of the evaluation of internal control systems in Takaful Insurance Company was prepared by an independent audit office for the year ended 31 December 2020. The report was submitted to the Board of Directors and Capital Market Authority. This report included examining the regulatory environment within the company and the extent of the company's commitment to implementing the corporate governance rules issued by the Capital Markets Authority - the State of Kuwait, and this report was submitted to the Board of Directors and the Capital Markets Authority, and the report indicated the commitment of the company to internal control systems in line with the rules of the Capital Markets Authority - The State of Kuwait, as the report made clear, are some notes of medium and low risk, and they are important notes that the administration concerned is dealing with as quickly as possible.

Internal Audit Department:

The internal audit department of the company reviews and evaluates the internal control systems, assesses the performance of the executive management in the implementation of the internal control systems, the management reports to the committee, the auditors are fully independent and the internal audit department follows the audit committee and the board of directors.
Procapita Management Consulting provides advisory services in the Internal Audit Department.

RULE 6- PROMOTION OF PROFESSIONAL CONDUCT AND ETHICAL VALUES:

Charter Of Work:

The company has a work charter with comprehensive standards and behavioral standards that has been established by the Board of Directors to establish ethical concepts and values. The executive body is working on these standards and determinants to achieve the company›s ambitions and objectives. It contributes to the performance of the tasks to the fullest.

The Board of Directors of the FIRST TAKAFUL Insurance Company adopted policies and procedures that work to achieve the highest percentage of the determinants and behavioral standards of the company›s work charter , below are some policies and procedures as an example of the application of the company›s operations:

- Guide to disclosure policies and procedures;
- Internal reporting policy;
- shareholder relations policy;
- The policy of the relevant parties and investor affairs;
- Conflict of interest policy .
- Related party transaction policy;
- Charter behavioral rules

Conflict Of Interest:

The policy of conflict of interest in the FIRST TAKAFUL works to reduce the conflict of interest between the company and the parties involved, as well as identifying situations that may lead to future conflicts of interest ,and it is working to address and limit such operations, and contribute to a policy of conflict of interest in protecting the integrity and reputation of the company and related parties.

The policy of conflict of interest obligates members of the board of directors and executive management to disclose any common interests with the company and to separate the personal interests and official responsibilities of the company, It works to give priority to the interests of the company to the interests of its members.

Governance Committee:

The Corporate Governance Committee is considered a specialized committee for corporate governance and it is an emerging and formed by the Board of Directors, and the Committee carries out its main role and functions as follows:

• Follow-up to the company›s implementation and compliance with corporate governance rules;

• Preparing a detailed annual report on the extent of application of corporate governance rules in First Takaful Insurance Company;

•To submit recommendations to the Board of Directors in all matters relating to the corporate governance framework;

Constitute Of The Committee:

The company formed a corporate governance committee in the board of directors in line with the best practices in effect. The corporate governance committee was formed as follows:

• The number of committee members is three from the board members.

•The Chairman of the Board is the Chairman of the Committee;

• The CEO of the company is a member of the committee.

Committee Meetings:

• The Governance Committee meets at least once a year, and the number of meetings can be increased as needed.

• Managers who are not members of the committee are entitled to attend the meetings upon the invitation of the committee chairman.

GOVERNANCE COMMITTEE			
Committee Members	Mr.Abdullah Al Asfour Head of committee	Hussein Al-Attal Committee Member	Badr Alhajeri committee Member
Meeting no. 01/2020	√	√	√
Attendance percentage	100 %	100 %	100 %

The Most Important Achievements Of The Committee During 2020:

•Preparing and approving the company's corporate governance report for the year 2019 and submitting it to the General Assembly and providing it to the Capital Markets Authority - State of Kuwait.

• Approval of authorizing the CEO to follow up the semi-annual governance report that is submitted through the portal of the Capital Markets Authority - State of Kuwait.

Approval of the Action Plan for the Department of Compliance and Anti-Money Laundering for the year 2020.

• The CEO is authorized to follow up on the compliance department's work plan.

• Update the Charter of the Governance Committee.

• Discussing and approving the reports of the Supervisory Compliance Department on "The extent of the commitment of the First Takaful Insurance Company to the guidelines for a gradual return to normal life in the company after the Corona pandemic

The Investment Committee:

A committee has been formed from the Board of Directors for investment. The existence of an investment committee charts an effective investment policy, which is one of the main responsibilities assigned to the Board of Directors. The objectives of the Investment Committee are to set the investment policy and follow up on its implementation and performance with the executive management while the board of directors reviews the policy and approves it.

Committee Tasks :

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

• Evaluating the performance of the investments made by the company and ensuring that it does not deviate from the approved investment plan and policy.

• Periodic review of the costs and benefits of the company›s investments in light of the planned strategy and the risks involved.

• Review and evaluate the contracts concluded by the executive management with local and foreign investment entities and companies to manage the company›s investments within the investment plan and policy.

• Continuously analyzing investment risks and working to reduce risks.

Formation Of The Committee:

• The Board of Directors formed the three-member investment committee from independent and / or executive and / or non-executive board members or from outside the board.

Committee Meetings:

• The committee approves its schedule of meetings before the start of each fiscal year.

• The committee holds a regular meeting inside or outside the company's headquarters if necessary, at least every six months. An invitation to attend the meeting is given at least 3 days before itszz date and the agenda and its attachments are attached to it. To complete the quorum, at least half of the committee's members are required to attend.

• The committee will hold if the chairman of the committee, or two of its members or the board of directors requests, provided that the meeting request explains the reasons for it. Also, please note that the Investment Committee did not hold any of its meetings during the year 2020.

INVESTMENT COMMITTEE			
Committee Members	**Talal Abahar Head of committee**	**Hussein Al-Attal Committee Member**	**Badr Alhajeri committee Member**
Meeting no. 01/2020	√	√	√
Meeting no. 01/2020	x	√	√
Meeting no. 01/2020	x	√	√
Attendance percentage	33.3 %	100 %	100 %

RULE 7 DISCLOSURE AND TRANSPARENCY IN A TIMELY MANNER:

PRESENTATION AND DISCLOSURE MECHANISMS:
The company is keen to apply the best disclosure mechanisms,
The Board of Directors of the Company has adopted disclosure policies and procedures that include the Methods and techniques of disclosure of material data and information. It also provides complete transparency of all information and data for timely presentation. The Board reviews these disclosure mechanisms periodically to keep up with international best practice

Disclosure Register :

The Company regulates the disclosures of the members of the Board of Directors and the Executive Management through a record of their disclosures, as this register is available for the benefit of all the shareholders of the Company without fees or fees. The Company updates this register periodically to reflect the actual status of the related parties.

Investor Affairs Unit:

The company has an investor affairs unit and is responsible for providing all necessary data, information and reports to potential investors. This unit is highly independent, providing accurate and timely data and reports through all the usual means.
A full page was also provided through the company's website for the Investors Affairs Unit, which contains all the contact information for the unit's official.

Technology:

The company relies heavily on technology, as it contributes to communication with shareholders, investors and stakeholders through the use of information technology. FIRST TAKAFUL has also provided a full section of its corporate governance website and disclosures to present all the latest data and information that enable Shareholders and current and potential investors to exercise their rights to assess the performance of the company.

RULE 8- RESPECT FOR SHAREHOLDERS' RIGHTS:

Shareholders' Equity:

The article of association , policies, regulations and internal controls of the company guarantee justice and equality of Shareholders rights, Shareholders have general rights to exercise the accountability of the Board of Directors and to monitor the performance of the Company, as well as the election of Board members and others.

"First Takaful" grants shareholders their full rights without any discrimination and in a manner that does not harm the interests of the company or contrary to the laws and regulations in force.

Clearing Agency:

The Company is keen to take into account the accuracy and continuous follow-up of the data of the shareholders through the establishment of a special record kept by the clearing agency, where it registered the names of the shareholders in the company and the number of shares owned by each of them, and is keen to update the data recorded in it immediately after a change through the marking in the record Shareholders to reach the highest levels of accuracy.

ENCOURAGE SHAREHOLDER PARTICIPATION:

The right to participate and vote in the general assembly of the company is an inherent right of all shareholders. The company has endeavored to activate this role by inviting shareholders to attend the General Assembly meeting including all data and information related to the agenda items. Shareholders also have the right to appoint others to attend the General Assembly meeting. A special power of attorney or delegation in this regard, the company enables shareholders holding 5% of the company's capital to add items to the agenda. The company provides shareholders with disclosure data for directors and executive management members.

RULE 9 - RECOGNIZING THE ROLE OF STAKEHOLDERS:

Stakeholders:

The recognition of the rights of stakeholders contributes to strengthening the framework of mutual cooperation between the company and stakeholders , the company also works to respect and protect the rights of stakeholders. the policies and procedures set by the company guarantee full protection and equal treatment with the members of the board without discrimination, to establish good relations with the customers and suppliers of the company and to maintain the confidentiality of information related to them, and clarified the policy of the mechanism for the submission and settlement of complaints as well as procedures that preserve the rights of stakeholders.

ENCOURAGE STAKEHOLDER PARTICIPATION:

The Company provides access to stakeholders to obtain all information and data relevant to their activities, and provides a mechanism to inform any improper practices to which stakeholders are exposed by the Company, with full protection for the person who informed .

RULE 10 - ENHANCEMENT AND IMPROVEMENT OF PERFORMANCE:

Promote Performance Improvement:

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

Accordingly, several workshops have been held:

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

- Workshop - tasks and responsibilities of the Board of Directors and Executive Management, social responsibility, the relationship of the Board of Directors to risk management.

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

- Course - risk management and control procedures in insurance companies.
- Course - Corporate Governance, Disclosure and Transparency in accordance with the instructions of the Capital Markets Authority.
- Workshop - Combating Money Laundering.
- Course - reinsurance.
- Course - insurance claims and compensation.

Performance Evaluation:

The performance assessment of the Board of Directors and the Executive Management is based on qualitative and quantitative performance indicators identified by the Company, the most important qualitative indicators based on performance evaluation systems Is the interaction and responsiveness to the goals to be achieved. and the control of problems and the participation in courses and the extent of their relation with the activity of the company and work.

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

Foundational Values:

The vision and mission of the company is to create a suitable environment for corporate values of an effective and productive nature, it contributes to improve performance rates and instill the institutional values of its employees, and this contributes to the promotion of work and maintain the financial integrity of the company, by reflecting of our values in all the activities and products of the company has created a culture of compliance with the laws and decisions of the regulatory bodies as well as providing services with high quality, honesty, integrity and transparency in dealing with Customers, It helps to achieve the company's strategic objectives.

RULE 11 - FOCUS ON THE IMPORTANCE OF SOCIAL RESPONSIBILITY:

Social Responsibility:

The social responsibility activity is centered on the first Takaful to achieve its social duty as a major partner in the development of the Kuwaiti society, by contributing to the development of the living, social and economic conditions in the country, as it comes through the company's support for all sectors in the state, the importance of social responsibility is to strengthen the relationship between the company and society . For example, but not limited to, you can find some of the activities of the First Takaful Insurance Company as follows: For example, but not limited to, you can find some of the activities of the First Takaful Insurance Company as follows:

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

• "COVID-19" the company's establishment, through social media, to publish awareness-raising information to limit the spread of the Coronavirus, by explaining ways to prevent it, identifying its symptoms, and emphasizing the importance of distancing and adhering to the recommendations of the Kuwaiti Ministry of Health.

• "Periodic Newsletter" The first Takaful publishes periodical educational publications that work to spread insurance awareness and highlight the culture of insurance and its importance within society in the State of Kuwait.

END OF REPORT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

First Takaful Insurance Company – KPSC

Kuwait

31 December 2020

Contents

Independent auditor's report

To the Shareholders of
First Takaful Insurance Company – KPSC
Kuwait

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Takaful Insurance Company - KPSC ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below as the key audit matter.

Valuation of investment properties

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

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

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

Other information included in the Company's Annual Report for the year ended 31 December 2020

Management is responsible for the other information. Other information consists of the information included in the Company's Annual Report for the year ended 31 December 2020, other than the financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's board of directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Company.

We further report that, to the best of our knowledge and belief, no violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2020 that might had a material effect on the business or financial position of the Company.

Abdullatif M. Al-Aiban (CPA)

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

Kuwait
31 March 2021


Financial report
Balance sheet
Assets
1,734,828
Liabilities
166,830
Equity
74,393
statement
12,978,516
6,372,535
6,505,981
Equity statement
Current year
1,774,576
Previous year
166,630
Cash flow statement
Operations
12,978,516
Investing
6,372,535
Financing
6,505,981
85%
65%
BUSINESS DASHBOARD

STATEMENT OF PROFIT OR LOSS

	Notes	**Year ended 31 Dec. 2020 KD**	(Restated) Year ended 31 Dec. 2019 KD
Continuing operations			
Expenses and other charges			
Change in fair value on revaluation of investment properties	10	**(403,660)**	-
General and administrative expenses		**(593,003)**	(222,194)
Loss on sale of associate	6	**(4,700,119)**	-
Provision for KFAS		**-**	(8,115)
Provision for NLST		**-**	(22,541)
Provision for Zakat		**-**	(9,017)
Provision for board of directors' remuneration		**-**	(21,000)
Loss for the year from continuing operations		**(5,696,782)**	(282,867)
Discontinued operations			
Share of results of associates	9	**-**	2,098,848
Impairment in value of associate	9	**-**	(975,000)
Profit for the year from discontinued operations		**-**	1,123,848
(Loss)/profit for the year		**(5,696,782)**	840,981
Basic and diluted (loss)/earning per share			
- From continuing operations	7	**(53.44) Fils**	(2.65) Fils
- From discontinued operations	7	**-**	10.54 Fils
Total		**(53.44) Fils**	7.89 Fils

The notes set out on pages 45to 96 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**Year ended 31 Dec. 2020 KD**	Year ended 31 Dec. 2019 KD
(Loss)/profit for the year		(5,696,782)	840,981
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to statement of profit or loss:			
Equity investments at fair value through other comprehensive income:			
- Net change in fair value during the year		-	23,757
Items that will be reclassified subsequently to statement of profit or loss			
- Exchange differences arising on translation of foreign operations		-	(572,466)
- Exchange differences recycled to statement of profit or loss on disposal of associate	6	4,940,817	-
Total other comprehensive income/(loss)		4,940,817	(548,709)
Total comprehensive loss for the year		(755,965)	292,272

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The notes set out on pages 45to 96 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec. 2020 KD	31 Dec. 2019 KD
Assets			
Bank balances	8	**660,350**	4,297
Investments at fair value through other comprehensive income		**2**	2
Investment in associates	9	**1**	11,902,065
Investment properties	10	**3,611,340**	-
Advance for investments	11	**6,106,011**	-
Qard Hassan to policyholders' fund	12	**3,213,484**	2,405,102
Due from Parent Company	18	**613,893**	-
Other assets		**50,286**	-
Total assets		**14,255,367**	14,311,466
Equity and liabilities			
Equity			
Share capital	13	**10,660,000**	10,660,000
Statutory reserve	14	**336,226**	336,226
Voluntary reserve	14	**306,980**	306,980
Fair value reserve		**173,153**	173,153
Foreign currency translation reserve		**(282,917)**	(5,223,734)
(Accumulated losses)/retained earnings		**(3,193,658)**	2,503,124
Total equity		**7,999,784**	8,755,749
Liabilities			
Policyholders' deficit reserve	12	**3,213,484**	2,405,102
Amount due to policyholders	15	**2,583,735**	2,912,216
Other liabilities		**458,364**	238,399
Total liabilities		**6,255,583**	5,555,717
Total equity and liabilities		**14,255,367**	14,311,466

Abdullah A. Al-Asfour
Chairman

The notes set out on pages 45to 96 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	(Accumulated losses)/ retained earn-ings KD	Total KD
Balance at 31 December 2019	**10,660,000**	**336,226**	**306,980**	**173,153**	**(5,223,734)**	**2,503,124**	**8,755,749**
Loss for the year	-	-	-	-	-	**(5,696,782)**	**(5,696,782)**
Total other comprehensive income	-	-	-	-	**4,940,817**	-	**4,940,817**
Total comprehensive income/(loss) for the year	-	-	-	-	**4,940,817**	**(5,696,782)**	**(755,965)**
Balance at 31 December 2020	**10,660,000**	**336,226**	**306,980**	**173,153**	**(282,917)**	**(3,193,658)**	**7,999,784**
Balance at 31 December 2018	10,660,000	246,061	216,815	173,153	(4,651,268)	1,818,716	8,463,477
Profit for the year	-	-	-	-	-	840,981	840,981
Other comprehensive income/(loss)	-	-	-	23,757	(572,466)	-	(548,709)
Total comprehensive income/(loss) for the year	-	-	-	23,757	(572,466)	840,981	292,272
Transfer to reserves	-	90,165	90,165	-	-	(180,330)	-
Realised gain on disposal of investments at FVTOCI	-	-	-	(23,757)	-	23,757	-
Balance at 31 December 2019	10,660,000	336,226	306,980	173,153	(5,223,734)	2,503,124	8,755,749

The notes set out on pages 45to 96 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 Dec. 2020 KD	(Restated) Year ended 31 Dec. 2019 KD
OPERATING ACTIVITIES			
Loss for the year from continuing operations		**(5,696,782)**	(282,867)
Profit for the year from discontinued operations		**-**	1,123,848
(Loss)/profit for the year		**(5,696,782)**	840,981
Adjustments for:			
Loss on sale of associate	6	**4,700,119**	-
Change in fair value on revaluation of investment properties	10	**403,660**	-
Net adjustments for discontinued operations		**-**	(1,123,848)
		(593,003)	(282,867)
Changes in operating assets and liabilities:			
Due from Parent Company		**(613,893)**	-
Other assets		**(50,286)**	-
Movement in policyholders' account		**(328,481)**	(311,631)
Other liabilities		**219,965**	55,511
Net cash used in operating activities		**(1,365,698)**	(538,987)
INVESTING ACTIVITIES			
Purchase of investment properties	10	**(4,015,000)**	-
Advance for investments	11	**(6,106,011)**	-
Proceeds from sale of associate	6	**12,142,762**	-
Restricted bank balance	6	**(654,268)**	-
Proceeds from sale of investments at fair value through other comprehensive income		**-**	23,758
Dividend received from associate		**-**	515,229
Net cash from investing activities		**1,367,483**	538,987
Increase in cash and cash equivalents		**1,785**	-
Cash and cash equivalents at the beginning of the year	8	**4,297**	4,297
Cash and cash equivalents at the end of the year	8	**6,082**	4,297

The notes set out on pages 45to 96 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Incorporation and activities

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

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

On 1 September 2019, the new insurance law No.125 for the year 2019 has been issued, this law is effective from 28 August 2019. This law supersedes the law No. 24 of 1961. Up to the reporting date, the Executive Regulations of the new law have not been issued yet.
The Company is a subsidiary of International Financial Advisors Holding -KPSC ("the Parent Company").

The Company is engaged in:

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

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

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

- Investing the contributed funds from policyholders and returns thereon.

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

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

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

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

The address of the Company's registered office is PO Box 5713, Safat 13058, State of Kuwait.
The financial statements for the year ended 31 December 2020 were authorised for issue by the board of directors of the Company on 31 March 2021 and are subject to the approval of the General Assembly of the shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Statement of compliance

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

3 Changes in accounting policies

3.1 New and amended standards adopted by the Company

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020 which have been adopted by the Company. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 and IAS 8 – Amendments – Definition of Material	January 2020 1
IFRS 16 – Amendments – Covid 19 Rent Related Concessions	June 2020 1

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

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

IFRS 16 – Amendments- COVID19 Rent Related Concessions

IFRS 16 contains specific requirements when accounting for changes to lease payments and rent concessions are in the scope of these requirements. Lessees are required to assess whether rent concessions are lease modifications, and if they are, there is specific accounting to be applied. However, applying these requirements to potentially a significant number of leases could be difficult, particularly from a practical perspective due to pressures resulting from the pandemic.

The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

The practical expedient is only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. The relief is only for lessees that are granted these rent concessions. There are no changes for lessors.

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.
- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective

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

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

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

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

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

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

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

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

IFRS 17 Insurance Contracts

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

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

الأولى تكافل
FIRST TAKAFUL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Management is in the process of assessing the impact of this new standard and anticipates that the adoption of the new standard in the future will have a significant impact on the Company's financial statements.

IAS 16 Amendments - Proceeds before intended use

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

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

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

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

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

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

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

Annual Improvements 2018-2020 Cycle

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

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

Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 1 Amendments - Classification of current or non-current

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

4 Significant accounting policies

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

4.1 Basis of preparation

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

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

The Company has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and the "statement of profit or loss and other comprehensive income".
During the year, the Company participated in the incorporation of Al Oula Financial Holding – WLL (Holding) ("Al Oula") with a total share capital of KD1,500,000 in which it owns 51% of the ownership interest. As of the reporting date, the share capital of Al Oula has not been paid up and, therefore, has been disclosed as a capital commitment (note 24). Accordingly, Al Oula has not been consolidated in these financial statements.

4.2 Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
The Company's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the associate, less any impairment and the statement of profit or loss reflects the Company's share of the results of operations of associate.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Significant accounting policies (continued)

4.2 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 Company's share in the associate arising from changes in the associate's equity. Changes in the Company's share in associate's equity are recognised immediately in the statement of changes in equity.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.
Unrealised gains on transactions with associate are eliminated to the extent of the Company's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. The associate's financial statements are prepared either to the Company's reporting date or to a date not earlier than three months of the Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Company's reporting date.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the statement of profit or loss.
However, when the Company reduces its ownership interest in an associate but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.3 Dividend income

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

4.4 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 Taxation

4.6.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Significant accounting policies (continued)

4.6 Taxation (continued)

4.6.2 National Labour Support Tax (NLST)

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

4.6.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.
Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

4.6.4 Taxation on overseas associates

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

4.7 Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the profit or loss of discontinued operations resulting from the measurement and disposal of assets classified as held for sale.

4.8 Segment reporting

The Company has two operating segments: takaful insurance and investment. In identifying these operating segments, management generally follows the Company's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.
For management purposes, the Company uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.9 Financial instruments

4.9.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.
A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily derecognised when:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.1 Recognition, initial measurement and derecognition (continued)

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

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

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

4.9.2 Classification of financial assets

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

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

The classification is determined by both:

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

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

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

4.9.3 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.3 Subsequent measurement of financial assets (continued)

a) Financial assets at amortised cost (continued)

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's financial assets at amortised cost comprise of the following:

Bank balances

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

Due from Parent Company

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

Other assets

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

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

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

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

• they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and

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

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

Equity investments at FVTOCI

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

A financial asset is held for trading if:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.3 Subsequent measurement of financial assets (continued)

b) Financial assets at FVTOCI (continued)

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.

4.9.4 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 Company 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 Company in accordance with the contract and all the cash flows that the Company expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Significant accounting policies (continued)
4.9 Financial instruments (continued)
4.9.4 Impairment of financial assets (continued)
If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4.9.5 Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include other liabilities and amount due to policyholders.
The subsequent measurement of financial liabilities depends on their classification as follows:
Financial liabilities at amortized cost
These are stated using effective interest rate method. Other liabilities and amount due to policyholders are classified as financial liabilities other than at FVTPL.

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.

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

4.11 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.

4.12 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

4.15 Leased assets

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

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

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

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

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

Right of use asset
The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).
Subsequent to initial measurement, the Company depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Company also assesses the right of use asset for impairment when such indicators exist.
Lease liability
At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.
Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.
Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

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 Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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 Company's articles of association.

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

4 Significant accounting policies (continued)

4.17 Equity, reserves and dividend payments (continued)

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

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

All transactions with owners of the Company are recorded separately within equity.
Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.18 Foreign currency translation

4.18.1 Functional and presentation currency

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

4.18.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in statement of profit or loss.
Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.18.3 Foreign operations

In the Company's financial statements, all assets, liabilities and transactions of foreign entities with a functional currency other than the KD are translated into KD. The functional currency of the foreign entities has remained unchanged during the reporting period.
Assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to statement of profit or loss and are recognised as part of the gain or loss on disposal.

4.19 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.
Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Significant accounting policies (continued)

4.19 Provisions, contingent assets and contingent liabilities (continued)

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

4.20 Related party transactions

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

5 Significant management judgements and estimation uncertainty

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

5.1 Significant management judgments

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

5.1.1 Business model assessment

The Company classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.9). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Classification of real estate property

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty

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

5.2.1 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Company based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

5.2.2 Fair value of financial instruments

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

5.2.3 Impairment of associate

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

5.2.4 Revaluation of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Company engaged independent valuation specialists to determine fair value as at 31 December 2020 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

5.2.5 Significant influence

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Sale of associate

During the year, the Company sold its entire ownership interest of 35% in Neova Sigorta Insurance Company – Turkey, associate, for a total consideration of USD39,233,449 (equivalent to KD 12,142,762) resulting into a loss of KD4,700,119 as follows:

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

* The Company received the total sale consideration amounting to USD39,233,449 (equivalent to KD12,142,762). Out of the total proceeds, an amount of USD2,113,951 (equivalent to KD654,268) has been restricted pending finalisation of formalities relating to transfer of all shares (note 8) as of 31 December 2020. Subsequent to the reporting date, this amount was released as the formalities relating to shares transfer were completed.

Net share of results of this associate for the comparative year has been eliminated (restated) from profit or loss from the Company's continuing operations and is shown in the statement of profit or loss as profit from discontinued operations.

Cash flows generated from discontinued operations for the reporting years are as follows:

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Investing activities (dividends)	**-**	515,229
	-	515,229

7 Basic and diluted (loss)/earnings per share

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

	Year ended 31 Dec. 2020	Year ended 31 Dec. 2019
Loss for the year from continuing operations (KD)	**(5,696,782)**	(282,867)
Profit for the year from discontinued operations (KD)	**-**	1,123,848
	(5,696,782)	840,981
Weighted average number of shares outstanding during the period	**106,600,000**	106,600,000
Basic and diluted (loss)/earnings per share		
- From continuing operations	**(53.44) Fils**	(2.65) Fils
- From discontinued operations	**-**	10.54 Fils
	(53.44) Fils	7.89 Fils

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Cash and cash equivalents

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Bank balances	**660,350**	4,297
Less: restricted bank balance (note 6)	**(654,268)**	-
Cash and cash equivalents as per statement of cash flows	**6,082**	4,297

9 Investment in associates

Name	Percentage ownership		Country of incorporation	Principal activity
	31 Dec. 2020 %	31 Dec. 2019 %		
Weqaya Takaful Insurance and Reinsurance Company – SSC ("Weqaya") (Quoted) (see a below)	20	20	Kingdom of Saudi Arabia	Insurance
Neova Sigorta Insurance Company (Unquoted) – (see b below)	-	35	Turkey	Insurance

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Carrying amount at the beginning of the year	**11,902,065**	11,865,912
Share of results of associates	**-**	2,098,848
Dividend received	**-**	(515,229)
Impairment in value of associate	**-**	(975,000)
Foreign exchange translation adjustments	**-**	(572,466)
Sale of associate (note 6)	**11,902,064**	-
Carrying amount at the end of year	**1**	11,902,065

a) The Company has discontinued to recognise its share of further losses of Weqaya Takaful Insurance and Reinsurance Company which is stated at a carrying value of KD1 effective from 1 April 2014 in accordance with IAS 28. The Company's share of unrecognised losses of the associate and fair value as at 31 December 2020 were not determined because the investee company's shares have been suspended from trading since 3 June 2014. If the investee company subsequently reports profits, the Company will resume recog-.nising its share of these profits only after its share of the profits equals the share of losses not recognised

The balances of KD173,153 and KD282,917 included within equity represent the cumulative changes in fair .value and foreign currency translation differences relating to this associate up to 1 April 2014

b) During the year, the Company sold its entire ownership interest in the associate: Neova Sigorta Insurance Company – Turkey (note 6).

10 **Investment properties**

During the year, the Company approved to purchase certain properties amounting to KD4,015,000 from a related party. However, since the Company is currently unable to transfer the ownership of those properties in its name (pending amendment of its articles), the related party has signed an acknowledgement that the properties are fully owned by the Company. Furthermore, the related party has signed an undertaking to transfer ownership of all these properties in the Company's name in due course. The consideration was settled in full in cash on 24 June 2020.

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Additions during the year	**4,015,000**	-
Change in fair value during the year	**(403,660)**	-
Carrying amount at the end of year	**3,611,340**	-

Investment properties which are located in Dubai were valued by an independent valuer using market value method where a property's fair value is estimated based on the comparable market value of similar properties which reflect recent transaction prices, uncertainties and liquidity in the market. Loss from revaluation amounting to KD403,660 (2019: KD Nil) was recognised in the statement of profit or loss.

11 **Advance for investments**

During the year, the Company signed an agreement with a related party, whereby the Company is to invest USD20,000,000 for potential investment opportunities which will be presented to the Company within a certain of the period from the signing date. On 22 September 2020, the Company transferred USD20,000,000 (equivalent to KD6,106,011) as an advance towards this investment. The Company has the right to cancel this agreement and get a full refund of the advanced amount if such opportunities were not agreed upon.

Up to the date of the financial statements, the transaction was not fully completed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Qard Hassan to policyholders' fund and deficit reserve

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Opening balance at the beginning of the year	**2,405,102**	2,217,773
(Net deficit for the year from insurance operations (note 17	**808,382**	187,329
Closing balance at the end of the year	**3,213,484**	2,405,102

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Share capital

	31 Dec. 2020 KD	31 Dec. 2019 KD
Authorised shares of 100 Fils each	**10,760,000**	10,760,000
Issued and fully paid up shares of 100 Fils each	**10,660,000**	10,660,000

14 Statutory and voluntary reserves

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

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

According to the Company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and board of directors' remuneration is to be transferred to the voluntary reserve at the discretion of the board of directors subject to the approval of the general assembly of the shareholders. There is no restriction on distribution of voluntary reserve.

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

15 Amount due to policyholders

	31 Dec. 2020 KD	31 Dec. 2019 KD
Opening balance at the beginning of the year	**2,912,216**	3,223,847
Net movements during the year	**(328,481)**	(311,631)
Closing balance at the end of the year	**2,583,735**	2,912,216

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

16 Annual General Assembly of the Shareholders

The board of directors of the Company proposed not to distribute any dividends for the year ended 31 December 2020, and this proposal is subject to the approval of the general assembly of the Company's shareholders.

The annual general assembly of the shareholders held on 21 June 2020 approved the financial statements of the Company for the year ended 31 December 2019 and the proposal of the board of directors not to distribute any dividends for the year then ended.

Further, the shareholders approved the board of directors' remuneration of KD21,000 for the year ended 31 December 2019 (2018: KD21,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Policyholders' results by line of business and fund

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

Revenue recognition

Premiums earned

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

Policy issuance fees and policy acquisition costs

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

Reinsurance

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

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

Claims

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

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

Liability adequacy test

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

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

Premiums and reinsurance receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Equipment

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

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

The following useful lives are applied:

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

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

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

Life mathematical reserve

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

Additional reserve

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

Provision for employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date. respect to its Kuwaiti national employees, in addition to the end of service benefits, the Company makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Estimation uncertainty (continued)

Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Company based these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

Useful lives of depreciable assets

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

Provision for outstanding claims and IBNR

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

Reinsurance

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Policyholders' results by line of business:

	Marine and aviation KD	General accidents KD	Motor vehicles KD	Fire KD	Life and medical KD	Total KD
Year ended 31 December 2020:						
Premiums written	130,514	581,358	140,651	465,853	1,435,268	2,753,644
Less: reinsurance ceded	(86,415)	(237,536)	(36,850)	(301,458)	(206,917)	(869,176)
Net premiums	44,099	343,822	103,801	164,395	1,228,351	1,884,468
Movement in unearned premiums	6,374	13,752	215,886	(10,232)	(41,373)	184,407
Net premiums earned	50,473	357,574	319,687	154,163	1,186,978	2,068,875
Policy issuance fees	848	2,592	26,401	1,330	1,662	32,833
Total revenues	51,321	360,166	346,088	155,493	1,188,640	2,101,708
Net claims incurred	16,034	(227,546)	(176,549)	19,116	(598,047)	(966,992)
Movement in life mathematical reserve	-	-	-	-	16,821	16,821
Other insurance expenses	(693)	(2,488)	(961)	(10,897)	(78,291)	(93,330)
Policy acquisition costs	(3,151)	(48,451)	(2,651)	(66,736)	(135,993)	(256,982)
Total expenses	12,190	(278,485)	(180,161)	(58,517)	(795,510)	(1,300,483)
Surplus by line of business	63,511	81,681	165,927	96,976	393,130	801,225
Allocation of general and administrative expenses	(76,854)	(207,147)	(1,074,819)	(112,719)	(240,809)	(1,712,348)
Net (deficit)/surplus from insurance operations	(13,343)	(125,466)	(908,892)	(15,743)	152,321	(911,123)
Investment and other income (note 17.1)	7,705	15,411	44,180	11,301	24,144	102,741
Net (deficit)/surplus from takaful insurance operations	(5,638)	(110,055)	(864,72)	(4,442)	176,465	(808,382)
Other comprehensive loss for the year:						
Net change in fair value arising during the year	(5,154)	(15,463)	(51,545)	(10,309)	(20,617)	(103,088)
Other comprehensive loss for the year	(5,154)	(15,463)	(51,545)	(10,309)	(20,617)	(103,088)
Net (deficit)/surplus by line of business including other comprehensive loss	(10,792)	(125,518)	(916,257)	(14,751)	155,848	(911,470)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Policyholders' results by line of business: (continued)

	Marine and aviation KD	General accidents KD	Motor vehicles KD	Fire KD	Life and medical KD	Total KD
Year ended 31 December 2019:						
Premiums written	212,322	1,530,045	861,186	490,997	1,518,231	4,612,781
Less: reinsurance ceded	(156,673)	(963,432)	(113,736)	(344,357)	(312,875)	(1,891,073)
Net premiums	55,649	566,613	747,450	146,640	1,205,356	2,721,708
Movement in unearned premiums	10,215	11,438	339,066	19,463	71,476	451,658
Net premiums earned	65,864	578,051	1,086,516	166,103	1,276,832	3,173,366
Policy issuance fees	1,975	2,983	157,292	1,660	1,694	165,604
Total revenues	67,839	581,034	1,243,808	167,763	1,278,526	3,338,970
Net claims incurred	5,242	(15,471)	(833,993)	(63,695)	(864,531)	(1,772,448)
Movement in life mathematical reserve	-	-	-	-	2,000	2,000
Other insurance expenses	(1,345)	(5,426)	(32,859)	(2,084)	(77,854)	(119,568)
Policy acquisition costs	(3,257)	(156,817)	(94,351)	(57,272)	(143,670)	(455,367)
Total expenses	640	(177,714)	(961,203)	(123,051)	(1,084,055)	(2,345,383)
Surplus by line of business	68,479	403,320	282,605	44,712	194,471	993,587
Allocation of general and administrative expenses	(91,937)	(183,874)	(527,107)	(134,841)	(288,070)	(1,225,829)
Net (deficit)/surplus from insurance operations	(23,458)	219,446	(244,502)	(90,129)	(93,599)	(232,242)
Investment and other income (note 17.1)	3,368	6,737	19,313	4,940	10,555	44,913
Net (deficit)/surplus from takaful insurance operations	(20,090)	226,183	(225,189)	(85,189)	(83,044)	(187,329)
Other comprehensive loss for the year:						
Net change in fair value arising during the year	(6,955)	(13,909)	(39,873)	(10,200)	(21,791)	(92,728)
Other comprehensive loss for the year	(6,955)	(13,909)	(39,873)	(10,200)	(21,791)	(92,728)
Net (deficit)/surplus by line of business including other comprehensive loss	(27,045)	212,274	(265,062)	(95,389)	(104,835)	(280,057)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Policyholders' assets, liabilities and fund:

	Notes	31 Dec. 2020 KD	31 Dec. 2019 KD
Assets			
Cash and bank balances		**221,883**	124,165
Investment deposits	17.2	**822,000**	822,000
Investments at fair value through other comprehensive income	17.3	**636,953**	740,041
Premiums receivable	17.4	**652,215**	602,280
Accounts receivable and other assets	17.5	**328,750**	992,437
Amount due from shareholders	15	**2,583,735**	2,912,216
Reinsurance recoverable on outstanding claims	17.6	**5,877,821**	6,710,721
Equipment		**78,316**	144,721
Total assets		**11,201,673**	13,048,581
Liabilities			
Reinsurance balances payable		**1,813,164**	2,265,741
Unearned premiums		**916,422**	1,100,829
Outstanding claims reserve	17.6	**8,158,099**	9,046,468
Life mathematical reserve		**50,465**	67,286
Reserve retained on reinsurance business		**193,470**	213,730
IBNR reserve		**106,879**	-
Other liabilities	17.7	**3,671,267**	3,151,150
Total liabilities		**14,909,766**	15,845,204
Policyholders' fund			
Net deficit for policyholders at the beginning of the year		**(2,405,102)**	(2,217,773)
Net deficit from insurance operations for the year		**(808,382)**	(187,329)
Total net deficit from insurance operations	17.8	**(3,213,484)**	(2,405,102)
Fair value reserve		**(391,521)**	(298,793)
Change in fair value during the year		**(103,088)**	(92,728)
		(494,609)	(391,521)
Total policyholders' fund at the end of year	17.8	**(3,708,093)**	(2,796,623)
Total liabilities and policyholders' fund		**11,201,673**	13,048,581

17.1 Investment and other income:

	KD	KD
Investment income	**20,766**	24,804
Other income	**81,975**	20,109
	102,741	44,913

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

17.2 Investment deposits:

In accordance with Kuwaiti law, an amount of KD822,000 (31 December 2019: KD822,000) has been retained as an investment deposit with a Kuwaiti financial institution. The effective profit rate on the deposits during the year was 2.63% (31 December 2019: 2.63%).

17.3 Investments at fair value through other comprehensive income:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Local unquoted securities	**636,953**	740,041
	636,953	740,041

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

17.4 Premiums receivable:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Premiums receivable	**1,006,174**	902,800
Less: provision for doubtful debts	**(353,959)**	(300,520)
	652,215	602,280

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

On the above basis, the provision for doubtful debts for premium receivables as at 31 December 2020 and 31 December 2019 was determined as follows:

	Current KD	3-6 months KD	6-12 months KD	12-24 months KD	>24 months KD	Total KD
31 December 2020:						
Gross carrying amount (KD)	**217,506**	**268,957**	**135,371**	**116,352**	**267,988**	**1,006,174**
Provision for doubtful debts (KD)	**(3,263)**	**(8,069)**	**(11,168)**	**(65,506)**	**(265,953)**	**(353,959)**
	214,243	**260,888**	**124,203**	**50,846**	**2,035**	**652,215**
31 December 2019:						
Gross carrying amount (KD)	158,060	288,455	162,524	56,443	237,318	902,800
Provision for doubtful debts (KD)	(2,371)	(8,654)	(60,172)	(28,028)	(201,295)	(300,520)
	155,689	279,801	102,352	28,415	36,023	602,280

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

17.4 Premiums receivable: (continued)

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at 1 January	**300,520**	250,520
Charge during the year	**53,439**	50,000
Balance at 31 December	**353,959**	300,520

17.5 Accounts receivable and other assets:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Financial assets		
Reinsurance receivables	**893,356**	921,859
Less: provision for doubtful debts	**(634,190)**	-
	259,166	921,859
Cheques under collection	**4,789**	4,789
Accrued income	**21,637**	21,578
Other assets	**16,084**	13,335
	301,676	961,561
Non-financial assets		
Prepaid expenses	**27,074**	30,876
	328,750	992,437

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

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at 1 January	**-**	-
Charge during the year	**634,190**	-
Balance at 31 December	**634,190**	-

17.6 Reinsurance recoverable on outstanding claims

During the previous year, the Company received an overall assessment of a government claim for damages incurred as a result of rainfall in Kuwait. The Company's share of this claim was calculated to be equivalent to KD3,960,000 from which KD1,516,068 was paid during last year. This amount has been recognised both in reinsurance recoverable on outstanding claims and outstanding claims reserve.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

17.7 Other liabilities:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Reinsurance payables	**1,480,928**	632,581
Garages and agencies	**906,306**	1,170,628
Brokerage commissions	**137,301**	158,759
Provision for employees' end of service benefits	**390,349**	393,816
Provision for staff leave	**156,568**	147,926
Accrued expenses	**134,282**	120,012
Due to related party	**-**	200,976
Other liabilities	**465,533**	326,452
	3,671,267	3,151,150

17.8 Movement in policyholders' fund:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at beginning of the year	**(2,405,102)**	(2,217,773)
Net deficit from insurance operations for the year	**(808,382)**	(187,329)
	(3,213,484)	(2,405,102)
Fair value reserve at the beginning of the year	**(391,521)**	(298,793)
Change in fair value during the year	**(103,088)**	(92,728)
	(494,609)	(391,521)
Balance at the end of the year	**(3,708,093)**	(2,796,623)

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

18 Related party balances and transactions

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
<u>**SHAREHOLDERS**</u>		
Statement of financial position:		
Purchase of investment properties (note 10)	**3,611,340**	-
Advance for investments (note 11)	**6,106,011**	-
Due from Parent Company	**613,893**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Related party balances and transactions (continued)

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Statement of profit or loss:		
Consultancy fees	**60,000**	60,000
Retainer fees	**238,533**	-
Key management compensation:		
Salaries and other short-term benefits	**57,190**	57,653
End of service benefits	**3,650**	3,187
	60,840	60,840

POLICYHOLDERS	31 Dec. 2020 KD	31 Dec. 2019 KD
Statement of assets, liabilities and fund:		
Premiums receivable	**28,436**	17,868
Other liabilities	**320,381**	235,548
Due to related party (included in other liabilities)	**-**	200,976

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Statement of policyholders' results:		
Premiums written	**493,100**	461,699
Rent expense	**74,913**	88,012
Key management compensation:		
Salaries and other short-term benefits	**171,571**	172,958
End of service benefits	**10,950**	9,563
	182,521	182,521

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Segmental analysis

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

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

	Investment	Takaful insurance	Unallocated	Total
	KD	KD	KD	KD
Shareholders				
Year ended at 31 December 2020				
Segment revenue				
From continuing operations	-	-	-	-
From discontinued operations	-	-	-	-
Segment loss				
From continuing operations	**(5,103,779)**	**-**	**(593,003)**	**(5,696,782)**
From discontinued operations	-	-	-	-
Loss for the year	**(5,103,779)**	**-**	**(593,003)**	**(5,696,782)**
As at 31 December 2020				
Total assets	**9,717,354**	**3,213,484**	**1,324,529**	**14,255,367**
Total liabilities	**-**	**(5,797,219)**	**(458,364)**	**(6,255,583)**
Net assets	**9,717,354**	**(2,583,735)**	**866,165**	**7,999,784**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Segmental analysis (continued)

	Investment	Takaful insurance	Unallocated	Total
	KD	KD	KD	KD
Shareholders				
Year ended at 31 December 2019				
Segment revenue				
From continuing operations	-	-	-	-
From discontinued operations	2,098,848	-	-	2,098,848
Segment profit/(loss)				
From continuing operations	-	-	(282,867)	(282,867)
From discontinued operations	1,123,848	-	-	1,123,848
Profit/(loss) for the year	1,123,848	-	(282,867)	840,981
As at 31 December 2019				
Total assets	11,902,067	2,405,102	4,297	14,311,466
Total liabilities	-	(5,317,318)	(238,399)	(5,555,717)
Net assets	11,902,067	(2,912,216)	(234,102)	8,755,749
Policyholders				
Year ended at 31 December 2020				
Total revenue	**102,741**	**2,101,708**	**-**	**2,204,449**
Net surplus/(deficit) for the year	**102,741**	**801,225**	**(1,712,348)**	**(808,382)**
As at 31 December 2020				
Total assets	**1,458,953**	**9,372,937**	**369,783**	**11,201,673**
Total liabilities	**-**	**(13,762,987)**	**(1,146,779)**	**(14,909,766)**
Net assets	**1,458,953**	**(4,390,050)**	**(776,996)**	**(3,708,093)**
Policyholders				
Year ended at 31 December 2019				
Total revenue	44,913	3,338,970	-	3,383,883
Net surplus/(deficit) for the year	44,913	993,587	(1,225,829)	(187,329)
As at 31 December 2019				
Total assets	1,562,041	11,147,076	339,464	13,048,581
Total liabilities	-	(14,856,997)	(988,207)	(15,845,204)
Net assets	1,562,041	(3,709,921)	(648,743)	(2,796,623)

20 Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies

The Company's risk and financial management framework is to protect the 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 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 for the year 2019 has been issued, this law is effective from 28 August 2019. This law supersedes the law No.24 of 1961. Up to the reporting date, the Executive Regulations of the new law have not been issued yet.

1. The following are the key regulations governing the operations of the Company:
- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.

The funds retained in Kuwait should be invested as under:

a. A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
b. A maximum of 25% could be invested in foreign securities (foreign government bonds or foreign securities – bonds and shareholding companies)
c. A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
d. A maximum of 15% should be in a current account with a bank operating in Kuwait

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

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

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

Frequency and amounts of claims

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

(1) *Non-life insurance contracts*

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

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

Marine and aviation

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim up to KD1,750,000 (31 December 2019: KD1,750,000).

Fire and accidents

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

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim up to KD13,000,000 (31 December 2019: KD13,000,000).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has primarily underwritten comprehensive polices for owner/drivers over 21 years of age. The Company has reinsurance cover to limit losses for any individual claim up to KD400,000 (31 December 2019: 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 Company, type of risk insured and by industry.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

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

Motor (continued)

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

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

	31 Dec. 2020			31 Dec. 2019		
	Gross liabilities	**Reinsurers' share of liabilities**	**Net liabilities**	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
	KD	**KD**	**KD**	KD	KD	KD
Marine and aviation	**256,722**	**(251,243)**	**5,479**	256,373	(251,337)	5,036
General accidents	**4,300,248**	**(3,936,217)**	**364,031**	3,794,378	(3,476,961)	317,417
Motor vehicles	**2,186,101**	**(661,734)**	**1,524,367**	2,107,492	(557,233)	1,550,259
Fire	**448,397**	**(440,212)**	**8,185**	1,868,369	(1,790,250)	78,119
Total	**7,191,468**	**(5,289,406)**	**1,902,062**	8,026,612	(6,075,781)	1,950,831

Key assumptions

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

(2) Life insurance contracts

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

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

For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

cal science and technology improvements.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

(2) Life insurance contracts (continued)

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

	31 Dec. 2020			31 Dec. 2019		
	Gross liabilities KD	**Reinsurers' share of liabilities KD**	**Net liabilities KD**	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Type of contract						
Credit life (credit insurance)	**46,781**	**(37,310)**	**9,471**	96,660	(73,090)	23,570
Other life insurance contract liabilities	**919,850**	**(551,105)**	**368,745**	923,196	(561,850)	361,346
Total life insurance contracts	**966,631**	**(588,415)**	**378,216**	1,019,856	(634,940)	384,916

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

Financial risks

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

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

21.1 Credit risk

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

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
SHAREHOLDERS		
Bank balances	**660,350**	4,297
Qard Hassan to policyholders' fund	**3,213,484**	2,405,102
Advance for investments	**6,106,011**	-
Due from Parent Company	**613,893**	-
Other assets	**50,286**	-
	10,644,024	2,409,399
POLICYHOLDERS		
Bank balances	**215,892**	116,991
Investment deposits	**822,000**	822,000
Premiums receivable	**652,215**	602,280
Accounts receivable and other assets – note 17.5	**301,676**	961,561
Amount due from shareholders	**2,583,735**	2,912,216
Reinsurance recoverable on outstanding claims	**5,877,821**	6,710,721
	10,453,339	12,125,769

Credit quality per class of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

21.1 Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2020 and 31 December 2019, credit quality per class is as follows:

	Neither past due nor impaired			
	High Grade	Standard grade	Past due or impaired	Total
31 December 2020	KD	KD	KD	KD
SHAREHOLDERS				
Bank balances	660,350	-	-	660,350
Qard Hassan to policyholders' fund	-	3,213,484	-	3,213,484
Advance for investments	-	6,106,011	-	6,106,011
Due from Parent Company	-	613,893	-	613,893
Other assets	-	50,286	-	50,286
	660,350	9,983,674	-	10,644,024
POLICYHOLDERS				
Bank balances	215,892	-	-	215,892
Investment deposits	822,000	-	-	822,000
Premiums receivable	533,847	65,687	52,681	652,215
Accounts receivable and other assets	42,510	259,166	-	301,676
Amount due from shareholders	-	2,583,735	-	2,583,735
Reinsurance recoverable on outstanding claims	-	5,877,821	-	5,877,821
	1,614,249	8,786,409	52,681	10,453,339
31 December 2019				
SHAREHOLDERS				
Bank balance	4,297	-	-	4,297
Qard Hassan to policyholders' fund	-	2,405,102	-	2,405,102
	4,297	2,405,102	-	2,409,399
POLICYHOLDERS				
Bank balances	116,991	-	-	116,991
Investment deposits	822,000	-	-	822,000
Premiums receivable	435,490	102,352	64,438	602,280
Accounts receivable and other assets	70,578	890,983	-	961,561
Amount due from shareholders	-	2,912,216	-	2,912,216
Reinsurance recoverable on outstanding claims	-	6,710,721	-	6,710,721
	1,445,059	10,616,272	64,438	12,125,769

21.2 Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

21.2 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2020 and 31 December 2019:

	1–3 month KD	3-6 months KD	6-12 months KD	Total Up to 1 year KD	Over 1 year KD	Total KD
31 December 2020						
SHAREHOLDERS						
Assets						
Bank balances	660,350	-	-	660,350	-	660,350
Investments at fair value through other comprehensive income	-	-	-	-	2	2
Advance for investments	-	-	6,106,011	6,106,011	-	6,106,011
Qard Hassan to policyholders' fund	-	-	-	-	3,213,484	3,213,484
Due from Parent Company	-	-	613,893	613,893	-	613,893
Other assets	-	-	-	-	50,286	50,286
	660,350	-	6,719,904	7,380,254	3,263,772	10,644,026
Liabilities						
Policyholders' deficit reserve	-	-	-	-	3,213,484	3,213,484
Amount due to policyholders	-	-	-	-	2,583,735	2,583,735
Other liabilities	50,561	68,148	339,655	458,364	-	458,364
	50,561	68,148	339,655	458,364	5,797,219	6,255,583
Net exposure	609,789	(68,148)	6,380,249	6,921,890	(2,533,447)	4,388,443
POLICYHOLDERS						
Assets						
Cash and bank balances	221,883	-	-	221,883	-	221,883
Investment deposits	-	-	-	-	822,000	822,000
Investments at fair value through other comprehensive income	-	-	-	-	636,953	636,953
Premiums receivable	217,506	268,957	135,371	621,834	30,381	652,215
Accounts receivable and other assets	36,279	11,650	21,637	69,566	259,184	328,750
Amount due from shareholders	-	-	-	-	2,583,735	2,583,735
Reinsurance recoverable on outstanding claims	587,782	881,674	1,469,456	2,938,912	2,938,909	5,877,821
Equipment	-	-	-	-	78,316	78,316
	1,063,450	1,162,281	1,626,464	3,852,195	7,349,478	11,201,673
Liabilities						
Reinsurance balances payable	308,238	163,185	380,764	852,187	960,977	1,813,164
Unearned premiums	137,463	183,284	229,106	549,853	366,569	916,422
Outstanding claims reserve	815,810	1,223,715	2,039,525	4,079,050	4,079,049	8,158,099
Life mathematical reserve	-	-	-	-	50,465	50,465
Reserve retained on reinsurance business	-	-	-	-	193,470	193,470
IBNR reserve	-	-	-	-	106,879	106,879
Other liabilities	363,285	544,927	946,612	1,854,824	1,816,443	3,671,267
	1,624,796	2,115,111	3,596,007	7,335,914	7,573,852	14,909,766
Net exposure	(561,346)	(952,830)	(1,969,543)	(3,483,719)	(224,374)	(3,708,093)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

21.2 Liquidity risk (continued)

	1–3 month KD	3-6 months KD	6-12 months KD	Total Up to 1 year KD	Over 1 year KD	Total KD
31 December 2019						
SHAREHOLDERS						
Assets						
Bank balance	4,297	-	-	4,297	-	4,297
Investments at fair value through other comprehensive income	-	-	-	-	2	2
Qard Hassan to policyholders' fund	-	-	-	-	2,405,102	2,405,102
	4,297	-	-	4,297	2,405,104	2,409,401
Liabilities						
Policyholders' deficit reserve	-	-	-	-	2,405,102	2,405,102
Amount due to policyholders	-	-	-	-	2,912,216	2,912,216
Other liabilities	57,867	77,995	102,537	238,399	-	238,399
	57,867	77,995	102,537	238,399	5,317,318	5,555,717
Net exposure	(53,570)	(77,995)	(102,537)	(234,102)	(2,912,214)	(3,146,316)
POLICYHOLDERS						
Assets						
Cash and bank balances	124,165	-	-	124,165	-	124,165
Investment deposits	-	-	-	-	822,000	822,000
Investments at fair value through other comprehensive income	-	-	-	-	740,041	740,041
Premiums receivable	158,060	288,455	155,765	602,280	-	602,280
Accounts receivable and other assets	176,883	87,380	141,487	405,750	586,687	992,437
Amount due from shareholders	-	-	-	-	2,912,216	2,912,216
Reinsurance recoverable on outstanding claims	671,072	1,006,608	1,677,680	3,355,360	3,355,361	6,710,721
Equipment	-	-	-	-	144,721	144,721
	1,130,180	1,382,443	1,974,932	4,487,555	8,561,026	13,048,581
Liabilities						
Reinsurance balances payable	385,176	203,917	476,166	1,065,259	1,200,482	2,265,741
Unearned premiums	165,124	220,166	275,207	660,497	440,332	1,100,829
Outstanding claims reserve	904,647	1,356,970	2,261,617	4,523,234	4,523,234	9,046,468
Life mathematical reserve	-	-	-	-	67,286	67,286
Reserve retained on reinsurance business	-	-	-	-	213,730	213,730
Other liabilities	315,115	472,672	787,788	1,575,575	1,575,575	3,151,150
	1,770,062	2,253,725	3,800,778	7,824,565	8,020,639	15,845,204
Net exposure	(639,882)	(871,282)	(1,825,846)	(3,337,010)	540,387	(2,796,623)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

21.3 Market risk

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

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

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

(a) Currency risk

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

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

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

	Denominated in KD					
	USD	Sterling Pound	Saudi Riyal	Turkish Lira	Other	Total
Shareholders						
31 December 2020	**654,268**	**-**	**-**	**-**	**-**	**654,268**
31 December 2019	-	-	1	11,902,064	-	11,902,065
Policyholders						
31 December 2020	**183,793**	**109,267**	**1,752**	**-**	**146,339**	**441,151**
31 December 2019	243,240	199,940	3,805	-	171,920	618,905

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

	Changes in variables	31 December 2020		31 Dec. 2019	
		Impact on (profit/(loss	**Impact on equity**	Impact on profit	Impact on equity
	%	**KD**	**KD**	KD	KD
SHAREHOLDERS					
Turkish Lira	±5	**-**	**-**	-	595,103
US Dollar	±5	**32,713**	**-**	-	-
POLICYHOLDERS					
US Dollar	±5	**9,190**	**-**	12,162	-
Sterling Pound	±5	**5,463**	**-**	9,997	-
Saudi Riyal	±5	**87**	**-**	190	-
Other	±5	**7,317**	**-**	8,596	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Risk management objectives and policies (continued)

21.3 Market risk (continued)

(b) Profit rate risk

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

The following table illustrates the sensitivity of the profit/results for the year to a reasonably possible change in profit rates of +1% and –1% (31 December 2019: +1% and –1%) with effect from the beginning of the year. The calculations are based on the Company's financial instruments held at each reporting date. All other variables are held constant. There has been no change during the year in the assumptions and methods used in the preparation of the sensitivity analysis. There is no direct impact on the Company's equity:

	31 Dec. 2020		31 Dec. 2019	
	+1%	**-1%**	+1%	-1%
	KD	**KD**	KD	KD
POLICYHOLDERS				
Net deficit from insurance operations for the year	**(8,220)**	**8,220**	(9,332)	9,332

c) *Equity price risk*

The Company is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through other comprehensive income.

To manage its price risk arising from investments in equity securities, the Company diversifies its investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had been 10% (31 December 2019: 10%) higher/lower, the effect on the equity would have been as follows:

	31 Dec. 2020		31 Dec. 2019	
	Increase	**Decrease**	Increase	Decrease
	10%	**10%**	10%	10%
	KD	**KD**	KD	KD
POLICYHOLDERS				
Impact on policyholders' fund	**63,695**	**(63,695)**	74,004	(74,004)

22 Fair value measurement

22.1 Fair value measurement of financial instruments

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Shareholders' assets and liabilities		
Financial assets:		
At amortised cost:		
- Bank balances	**660,350**	4,297
- Advance for investments	**6,106,011**	-
- Qard Hassan to policyholders' fund	**3,213,484**	2,405,102
- Due from Parent Company	**613,893**	-
- Other assets	**50,286**	-
Financial assets at fair value:		
Investments at fair value through other comprehensive income	**2**	2
	10,644,026	2,409,401
Shareholders' assets and liabilities		
Financial liabilities:		
Financial liabilities at amortised cost:		
Amount due to policyholders'	**2,583,735**	2,912,216
Other liabilities	**458,364**	238,399
	3,042,099	3,150,615
Policyholders' assets and liabilities		
Financial assets:		
At amortised cost:		
Cash and bank balances	**221,883**	124,165
Investment deposits	**822,000**	822,000
Premiums receivable	**652,215**	602,280
Accounts receivable and other assets – note 17.5	**301,676**	961,561
Amount due from shareholders	**2,583,735**	2,912,216
Reinsurance recoverable on outstanding claims	**5,877,821**	6,710,721
Financial assets at fair value:		
Investments at fair value through other comprehensive income	**636,953**	740,041
	11,096,283	12,872,984
Financial liabilities:		
Financial liabilities at amortised cost:		
Reinsurance balances payable	**1,813,164**	2,265,741
Unearned premiums	**916,442**	1,100,829
Other liabilities	**3,671,267**	3,151,150
	6,400,873	6,517,720

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Fair value measurement (continued)

22.2 Fair value measurement

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

22.3 Fair value hierarchy

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

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

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

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

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

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

31 December 2020

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Fair value measurement (continued)

22.3 Fair value hierarchy (continued)

31 December 2019

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through other comprehensive income:				
Unquoted securities	-	-	2	2
	-	-	2	2
POLICYHOLDERS				
Investments at fair value through other comprehensive income:				
Unquoted securities	-	-	740,041	740,041
	-	-	740,041	740,041

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

Measurement at fair value

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

Unquoted securities

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

Level 3 fair value measurements

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

	Shareholders Investments at fair value through OCI		Policyholders Investments at fair value through OCI	
	31 Dec. 2020 KD	31 Dec. 2019 KD	**31 Dec. 2020 KD**	31 Dec. 2019 KD
Opening balance	**2**	3	**740,041**	832,769
Disposal	**-**	(1)	**-**	-
Change in fair value	**-**	-	**(103,088)**	(92,728)
Closing balance	**2**	2	**636,953**	740,041

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Fair value measurement (continued)
22.3 Fair value hierarchy (continued)
Level 3 fair value measurements (continued)

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

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

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

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

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

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

22.4 Fair value measurement of non-financial assets

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

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

Investment properties in Dubai

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 Fair value measurement (continued)

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

Investment properties in Dubai (continued)

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

31 December 2020

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

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

	Investment Properties	
	31 Dec. 2020 KD	31 Dec. 2019 KD
Additions during the year	**4,015,000**	-
Change in fair value during the year	**(403,660)**	-
	3,611,340	-
Total amount included in profit or loss for unrealised losses on level 3 assets	**(403,660)**	-

23 Capital management objectives

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

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

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
(Loss)/profit for the year	**(5,696,782)**	840,981
Total equity	**7,999,784**	8,755,749
Return on equity	**(71.21)%**	9.60%

24 Capital commitments

As at 31 December 2020, the Company had capital commitment amounting to KD1,500,000 with respect to participation in the incorporation of a subsidiary (note 4.1).

25 Covid19 Pandemic Impact

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak, as well as the effectiveness of government and central bank responses, remain unclear at this time. However, management of the Company is actively monitoring any effects of COVID19 may have on its business operations and financial performance.

Management has updated its assumptions with respect to judgements and estimates, discussed below, due to continued uncertainties in the volatile economic environment in which the Company conducts its operations.

Impairment of financial assets and Estimated Credit Losses (ECL)

The negative economic outlook and cash flow difficulties experienced by customers as a result of COVID19 have been factored into the Company's forecasts of future conditions, which may have resulted in an increase in its allowance for ECLs of financial assets. This is to reflect:

a) a greater probability of default across many customers, even those that currently do not exhibit significant increases in credit risk but may in the future, and
b) a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets.

For the unquoted financial assets, the Company considered, among other factors, impacts of the volatility in the markets and affected sectors in its assessment of any indicators of impairment which represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID19, the Company is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current economic environment.

The additional considerations resulted into recognition of impairment losses for the premiums receivable and re-insurance receivables of KD53,439 and KD634,190 respectively.

Impairment of non-financial assets

For the investment properties the Company considered that there may be an increase in the amount of subjectivity involved in fair value measurements, especially those based on unobservable inputs. Although certain input may involve subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The Company has also considered any impairment indicators arising as a result of COVID19 and any significant uncertainties around other non-financial assets including its property, plant and equipment and concluded there is no material impact due to COVID19.

25 Covid19 Pandemic Impact (continued)

Impairment of non-financial assets (continued)

As at the reporting date, the Company has not identified significant impact on the carrying values of its non-financial assets as at 31 December 2020 due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2019. The Company is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Company consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the financial statements.

Going concern

At each reporting date, management assesses the entity's ability to continue as a going concern and considers all available information about the future, which is at least, but is not limited to, twelve months from the annual reporting date. Management assessment of going concern included a wide range of factors, such as: current and expected profitability, debt repayment schedules and potential sources of replacement financing, and the ability to continue providing services with due consideration for economic uncertainties resulting from COVID19. Although, the full impact of COVID19 continues to evolve, the results of current projections and assumptions show that the Company has adequate resources to continue its normal operations. As a result, the financial statements have been appropriately prepared on a going concern basis.

Contingencies and Commitments

The Company's assessment of anticipated losses on account of reduction in demand, meeting contractual obligations, supply chain disruptions or losses due to an overall decline in economic output as a result of COVID19 did not result into any matters that need disclosure in the financial statements.

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