Wethaq Takaful Insurance Company (K.S.C.P)
and its Subsidiaries
State of Kuwait

Consolidated financial statements
for the financial year ended 31 December 2023
and independent auditor’s report

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Independent Auditor's Report
on the Audit of Consolidated Financial Statements
for the financial year ended 31 December 2023

To the Shareholders,

Wethaq Takaful Insurance Company (K.S.C.P)
and its Subsidiaries
State of Kuwait

Opinion

We have audited the consolidated financial statements of Wethaq Takaful Insurance Company (K.S.C.P) (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other 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.

Material uncertainty related to Going Concern

Pursuant to ISA No. 570, we draw attention to Note No. 29 of these consolidated financial statements, which indicates that the Parent Company has incurred accumulated losses of K.D 6,829,836 as at 31 December 2023. These events or circumstances indicate the existence of a material uncertainty about the company's ability to continue as a going concern. This does not affect our opinion referred to above.

Key Audit Matters

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

Valuation of Investment properties

The Group's investment properties represent a significant part of the total assets and comprise of buildings outside Kuwait. The valuation of investment properties is a significant judgment area requiring a number of assumptions including capital returns, future rental income, occupancy rates, right of use contract periods and renewability. Changes in these assumptions and judgments could lead to significant movements in valuation of investment properties and consequently unrealized gains or losses in the consolidated statement of profit or loss. The Group's disclosures about its investment properties are included in Note 12. Our audit procedures included assessing the appropriateness of the Management's process for reviewing and assessing the work of the external valuer including the Management's consideration of competence and independence of the external valuer. We also 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 the Management to the independent valuer to confirm that it was consistent with the information obtained during our audit.

Other information included in the Group's Annual Report for the financial year ended 31 December 2023

Management is responsible for the other information. Other information comprises the information included in the Group's Annual Report for the financial year ended 31 December 2023, other than the consolidated financial statements and our auditor's report thereon.

We obtained the Report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during 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 of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

e. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum 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 No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

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We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Establishment of Capital Markets Authority and its Executive Regulations, as amended, or of Law No. 125 of 2019 concerning the Regulation of Insurance during the year ended 31 December 2023 that might have had a material effect on the business or the financial position of the Parent Company.

Ali Mohamad Al-Hamad
License No. 111-A
Ali Al-Hamad & Partners
Independent member of Baker Tilly International

State of Kuwait, 28 March 2024

Consolidated statement of financial position as at 31 December 2023
(All amounts are in Kuwaiti Dinar)

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	7	**94,818**	43,110
Investment deposits	7	**32,286**	82,915
Financial assets at fair value through profit or loss	8	**257,523**	262,191
Financial assets at fair value through other comprehensive income	9	**761,296**	860,768
Amount due from policyholders	10	**109,208**	36,235
Investment properties	12	**2,879,865**	2,853,938
Property and equipment		**65,082**	80,999
Other receivables		**17,420**	5,886
Total assets		**4,217,498**	4,226,042
Equity and liabilities			
Equity			
Share capital	13	**11,025,000**	11,025,000
Treasury shares	13	**(50,489)**	(50,489)
Treasury shares reserve		**3,508**	3,508
Statutory reserve	14	**388,139**	388,139
Fair value reserve		**(513,440)**	(425,214)
Foreign currency translation reserve		**(18,154)**	(7,100)
Employees' stock option plan reserve		**65,964**	65,964
Accumulated losses		**(6,829,836)**	(6,918,129)
Total equity		**4,070,692**	4,081,679
Liabilities			
Other payables		**146,806**	144,363
Total liabilities		**146,806**	144,363
Total equity and liabilities		**4,217,498**	4,226,042

Naser Enad Faisal Al-Enezi
Chairman

Hussam Ammar Mohamed Ammar
Vice Chairman

Consolidated statement of profit or loss for the financial year ended 31 December 2023
(All amounts are in Kuwaiti Dinar)

	Note	**2023**	2022
Revenue			
Change in fair value of financial assets at fair value through profit or loss		**(4,668)**	(2,363)
Rental income		**61,510**	35,194
Dividend income		**9,547**	7,220
Income from investment deposits		**2,760**	2,601
Management fees from policyholders		**22,407**	65,303
Other income		**14,167**	30,000
Revaluation of investment properties	12	**25,927**	(18,434)
		131,650	119,521
Expenses			
General and administrative expenses		**(40,155)**	(33,503)
		(40,155)	(33,503)
Net profit for the year before deductions		**91,495**	86,018
National Labor Support Tax		**(2,287)**	(2,150)
Zakat		**(915)**	(860)
Net profit for the year		**88,293**	83,008
Basic earnings/ (loss) per share (Fils)	15	**0.804**	0.756

Consolidated statement of other comprehensive income for the financial year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	2023	2022
Profit for the year	**88,293**	83,008
Other comprehensive income:		
Items that will be reclassified subsequently to the consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	**(11,054)**	(11,786)
	(11,054)	(11,786)
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Net change in fair value arising during the year	**(88,226)**	(248,861)
Net other compressive loss	**(99,280)**	(260,647)
Net compressive loss for the year	**(10,987)**	(177,639)

Wethaq Takaful Insurance Company (K.S.C.P)
and its Subsidiaries
State of Kuwait

Consolidated statement of changes in equity for the financial year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Employees' stock option plan reserve	Accumulated losses	Total
Balance as at 31 December 2021	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(176,353)	4,686	65,964	(14,730,213)	4,259,318
Net profit for the year	-	-	-	-	-	-	-	-	-	83,008	83,008
Total other comprehensive income for the year	-	-	-	-	-	-	(248,861)	(11,786)	-	-	(260,647)
Accumulated losses amortization (Note 24)	-	(7,340,937)	-	-	-	(388,139)	-	-	-	7,729,076	-
Balance as at 31 December 2022	11,025,000	-	(50,489)	3,508	388,139	-	(425,214)	(7,100)	65,964	(6,918,129)	4,081,679
Balance as at 01 January 2023	**11,025,000**	**-**	**(50,489)**	**3,508**	**388,139**	-	**(425,214)**	**(7,100)**	**65,964**	**(6,918,129)**	**4,081,679**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**88,293**	**88,293**
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	-	**(88,226)**	**(11,054)**	**-**	**-**	**(99,280)**
Balance as at 31 December 2023	**11,025,000**	**-**	**(50,489)**	**3,508**	**388,139**	-	**(513,440)**	**(18,154)**	**65,964**	**(6,829,836)**	**4,070,692**

The notes on pages 6 to 61 form an integral part of these consolidated financial statements

Consolidated statement of cash flows for the financial year ended 31 December 2023
(All amounts are in Kuwaiti Dinar)

	2023	2022
Cash flows from operating activities:		
Profit for the year	**88,293**	83,008
Adjustments for:		
Change in fair value of financial assets at fair value through profit or loss	**4,668**	2,363
Income from investment deposits	**(2,760)**	(2,601)
Dividend income	**(9,547)**	(7,220)
Change in fair value of investment properties	**(25,927)**	18,434
	54,727	93,984
Changes in operating assets and liabilities:		
Accounts and other receivables	**(11,534)**	-
Accounts and other payables	**2,443**	27,950
Amount due from policyholders	**(72,973)**	(36,235)
Net cash (used in) / generated from operating activities	**(27,337)**	85,699
Cash flows from investing activities:		
Proceeds from sale of financial assets at fair value through other comprehensive income	**11,246**	1,716
Sale / purchase of property, equipment and other assets	**4,863**	(83,090)
Income from investment deposits	**2,760**	2,601
Movement in investment deposits	**50,629**	(21,287)
Dividends received	**9,547**	7,220
Net cash (used in) / generated from investing activities	**79,045**	(92,840)
Increase / (decrease) in cash and cash equivalents	**51,708**	(7,141)
Cash and cash equivalents at beginning of the year	**43,110**	50,251
Cash and cash equivalents at end of the year	**94,818**	43,110

1- Incorporation and activities

Wethaq Takaful Insurance Company (the "Parent Company) is a Kuwaiti Public Shareholding Company that was incorporated on 31 July 2000 and carries on its business in accordance with the provisions of Law No. 125 of 2019 regarding the Regulation of Insurance under the IRU Resolution No. 24 of 2022 licensing the companies that regularized their status according to the Law and its Executive Regulations, as amended. The Parent Company's shares are listed on Boursa Kuwait.

The amendments were registered in the Commercial Register under No. 82421 on 11 June 2014. The shares of the Parent Company were listed on Boursa Kuwait on 20 December 2004. The Parent Company is supervised by Capital Markets Authority.

On 28 August 2019, the new Insurance Law No. 125 of 2019 was issued. Such Law is effective from 1 September 2019 and supersedes Law No. 24 of 1961.

The Executive Regulations of Law No. 125 of 2019 regarding the Regulation of Insurance were issued on 11 March 2022. Pursuant to Article No. 2 of the Executive Regulations, insurance companies shall have a one-year grace period starting from the date of issuance of the Executive Regulations to implement the new Law.

The Group comprises the Parent Company and its subsidiaries as disclosed in Note 6.

The Parent Company is a subsidiary of the Investment Dar Company (K.S.C.C) ("Ultimate Parent Company").

The objectives for which the Parent Company is incorporated are as follows:
First: Carry on all Takaful, mutual and reinsurance business of all forms in accordance with the provisions of Islamic Sharia and governing laws.

Second: To achieve its above-mentioned objectives and as per its Articles of Association, the Parent Company shall have authority to conduct the following business and acts as the Board of Directors deems appropriate:

a. Acquire and gain the right to all or any part of moveable or immovable properties, as it deems necessary, or any privileges that the Company believes to be necessary or appropriate for its business or required for growing its funds.
b. Carry out transactions and enter into all contracts with all legal dispositions as it deems necessary and suitable to achieve and facilitate its objectives on the conditions it elects.
c. Purchase, sell, mortgage, lease, replace, possess, or endorse in any manner whatsoever any lands, real estate properties, securities, sukuk, stocks or any other moveable or real estate property, or sell, lease, mortgage or dispose of all or part of the company's moveable or real estate property and funds.
d. Provide advisories and conduct technical studies in insurance or reinsurance industry for companies and other entities directly interested in engaging in Takaful insurance or reinsurance business.

e. Act as valuer or appraiser in insurance industry and agent for insurance or reinsurance companies to perform all activities that are consistent with the Islamic Sharia after obtaining the necessary licenses.
f. Invest all or part of the Company's moveable property or real estate properties in different sectors as it deems appropriate in accordance with governing laws and resolutions.
g. Merge with, incorporate or participate in incorporating and subscribing for shares in companies, buy and sell companies, shares and support them in any form in line with the Company's objectives as per applicable laws.
h. Utilize the financial surpluses available with the Company through investing the same m financial portfolios managed by specialized companies and entities.

The Parent Company may carry out the above-mentioned businesses in the State of Kuwait or abroad directly or through agency. The Parent Company may have an interest or participate in any way with the entities that engage in similar business that help it achieve its objectives in Kuwait or abroad and it may establish, participate, purchase, merge with such entities.

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

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

All takaful insurance and investment activities are conducted in accordance with Islamic Sharia, as approved by Fatwa and Sharia Supervisory Board.

The address of the Parent Company's registered office is the State of Kuwait, Shaq, Khaled Ibn Al-Waleed Street, City Tower, Floor 12.

The consolidated financial statements for the year ended 31 December 2023 were authorized for issue by the Board of Directors of the Parent Company on 28 March 2024.

2- Basis of preparation

These consolidated 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 Application of new and revised International Financial Reporting Standards

3.1.1 Standards effective for the current year

The following are the standards, interpretations and amendments that are applicable during the present year as applied by the Group and that have no effect on the Group's consolidated financial statements unless otherwise stated.

- IFRS 17 "Insurance Contracts": This standard supersedes IFRS 4, which currently provides a variety of accounting practices for insurance contracts. IFRS 17 introduced fundamental changes to the accounting process adopted by all entities that issue insurance contracts or investment contracts with discretionary participation features.
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies: The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

- Amendments to IAS 8 – The amendments replace the definition of change in accounting estimates with the definition of accounting estimates. According to the new definition, accounting estimates are defined as "amounts of a monetary nature in financial statements whose measurement is subject to uncertainties."

- Amendments to IAS 12 – Deferred tax assets and liabilities arising from a single transaction. The amendments introduce an additional exception to the initial recognition exemption. According to the amendments, the entity does not apply the initial recognition exemption to transactions that give rise to equal deductible temporary tax differences. Depending on applicable tax law, equal deductible temporary tax differences may arise on the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting profit or taxable profit.

- Amendments to IAS 12 – Global Tax Reform – Pillar 2 Model Rules – These amendments provide companies with a temporary exemption from accounting for deferred taxes that arise as a result of implementing the requirements of the OECD project known as "Global Tax Reform". As a result of these amendments, the entity should provide a disclosure showing that it has applied the exception as well as a separate disclosure of its current tax expense (revenue) in relation to income taxes in Pillar II.

3.1.2 Standards issued but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not adopted the following new and revised International Financial Reporting Standards in issued but are not yet effective.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty, taking into account that the IASB has issued a new draft standard proposing changes to this amendment. Classification of liabilities as current or non-current: The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are deemed to exist at the end of the reporting period, and specify that the classification is not affected by expectations about whether the entity will exercise its right to defer settlement of the obligation. They also clarify that rights are Lists whether covenants have been complied with at the end of the reporting period, and provides a definition of "settlement" to clarify that settlement is the transfer of cash, equity instruments, other assets or services to the counterparty.	Deferred until accounting periods starting not earlier than 1 January 2024

	Non-current liabilities involving covenants – The amendments specify that only covenants that an entity must be in compliance with at or before the end of the reporting period affect the entity's right to defer settlement of the obligation for a period of not less than twelve months after the reporting date. (It should therefore be taken into account when evaluating whether to classify an obligation as current or non-current.)	
Amendments to IAS 7 and IFRS 7 in relation to supplier financing arrangements	These amendments require the provision of disclosures for the purpose of enhancing the transparency of supplier financing arrangements and clarifying their effects on the company's obligations and cash flows and the extent of its exposure to liquidity risks. Disclosure requirements are solutions introduced by the IASB in response to concerns expressed by investors that some companies' supplier financing arrangements are not sufficiently clear, which represents a barrier to investor analysis.	Annual periods beginning on or after 01 January 2024
Amendments to IFRS 16 – Leases for sale-leaseback transactions	The amendments to IFRS 16 add subsequent measurement requirements to sale-leaseback transactions that meet the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-tenant to determine "lease payments" or "adjusted lease payments" such that the seller-tenant does not recognize a gain or loss associated with a right of use held by the seller-tenant after the start date of the lease term. The amendments do not affect the profit or loss recognized by the seller-tenant in connection with the partial or total termination of the lease. Without these new requirements, the seller-lessee would have recognized a gain on the right-of-use held solely by remeasuring the lease liability (for example as a result of a lease amendment or a change in the lease term) in accordance with the general requirements in IFRS 16. This may particularly apply to a leaseback transaction that involves variable rental payments that are not based on an index or rate.	Annual periods beginning on or after 01 January 2024

International Sustainability Standard 1 – General requirements for the disclosure of financial information related to sustainability	This standard contains the main framework for disclosing material information about sustainability-related risks and opportunities involved in all aspects of an organization's value chain.	Annual periods beginning on or after 01 January 2024
International Sustainability Standard 2 – Climate-related disclosures	This standard sets out requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to the primary users of general-purpose financial reports when making decisions related to providing resources to the entity.	Annual periods beginning on or after 01 January 2024
Amendments to IAS 21 – Lack of Exchangeability	An entity is affected by the adjustments when it has a transaction or operations in a foreign currency that cannot be exchanged into another currency at the measurement date for a specific purpose. A currency is exchangeable when there is access to the other currency (with normal administrative delay) and the transaction takes place through a market or exchange mechanism that gives rise to enforceable rights and obligations.	Annual periods beginning on or after 01 January 2025 (early adoption is allowed)

The Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements for the period of initial application and that the adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

4- Significant accounting policies

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

4.1 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinar ("KD"), which is the functional and presentation currency of the Parent Company and are prepared under the historical cost convention, except for investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment properties, which are measured at fair value.
The Group has elected to present the "statement of profit or loss and other comprehensive income" in two separate statements: the "consolidated statement of profit or loss" and "consolidated statement of other comprehensive income".

4.2 Basis of consolidation

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

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

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognized in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture. However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

4.3 Business combinations

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

The Group recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. For information on how goodwill is initially determined, goodwill is carried at cost less accumulated impairment losses followed by impairment testing procedures.

4.5 International Financial Reporting Standard 17 - Insurance Contracts:

The Parent Company has adopted the International Financial Reporting Standard 17 - *Insurance Contracts* effective from 01 January 2023. This standard has resulted in significant changes to the accounting of insurance contracts and reinsurance.

Below we summarize the nature and effects of the major changes in the Group's accounting policies resulting from its application of IFRS 17 - Insurance Contracts.

1- Recognition, Measurement, and Presentation of Insurance Contracts

The International Financial Reporting Standard 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts, reinsurance contracts, and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the company's estimates of the present value of future cash flows expected to arise when the Parent Company fulfills its obligations under these contracts, along with the risk adjustment margin for non-financial risks and the expected profit margin for insurance services (CSM).

Eligibility of the Premium Allocation Approach (PAA) has been tested.
The parent company applies the Premium Allocation Approach (PAA) for measuring insurance contracts. The Parent Company is allowed to apply the PAA to measure a group of insurance contracts if either:

- The coverage period for each contract in the group at inception is one year or less, or
- The Parent Company reasonably expects that applying PAA to measure the remaining coverage of the group of insurance contracts would not result in a materially different measurement compared to the General Measurement Model (GMM).

2- Discount Rates

Discount rates adjust expected cash flow estimates to reflect the time value of cash flows and the associated financial risks. The applied discount rates to expected cash flow estimates should:

- Reflect the time value and cash flow characteristics and liquidity attributes of insurance contracts.
- Be consistent with the observable current market rates.
- Exclude the effects of factors affecting observable market rates used in determining the discount rate but not affecting the expected cash flows of insurance contracts.

The Parent Company determines the discount rate for cash flows of insurance contracts that are unaffected by the underlying items' returns. The Parent Company may determine discount rates by adjusting a risk-free rate by adding a liquidity premium using a Bottom-up approach. For contracts under the Premium Allocation Approach (PAA), the discount rate is determined at initial recognition of the contract group.

3- Risk Adjustment

The risk adjustment for non-financial risk is the compensation required to tolerate uncertainty about the amount and timing of cash flows for groups of contracts. The Parent Company estimates the probability distribution of the expected present value of insurance future cash flows applying the value at risk technique from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risks as an increase in the value at risk at the 90th percentile (target confidence level) on the expected present value of future cash flows.

4.6 Dividend income

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

4.7 Income from investment deposits

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

4.8 Operating expenses

Operating expenses are recognized in the consolidated statement of profit or loss upon utilization of the service or at the date of their origin.

4.9 Taxation

4.9.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of net taxable profit of the Group 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. The Parent Company has no liabilities towards KFAS for this year due to accumulated losses.

4.9.2 National Labor Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of net taxable profit of the Group for the year after deducting Board of Directors’ remuneration for the year. As per the 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. Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior year is permitted.

4.9.3 Zakat

Contribution to Zakat is calculated at 1% of net profit of the Parent Company in accordance with Law No. 46 of 2006 concerning Zakat and Contribution by Public and Closed Shareholding Companies to the State Budget and the Ministry of Finance Resolution No. 58/2007 effective from 10 December 2007 for the year ended 31 December 2022.

4.9.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated in accordance with Law No. 2 of 2008 amending Decree No. 3 of 1955 concerning Kuwait Income Tax on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and international agreements of the countries where these subsidiaries operate with the State of Kuwait.

4.10 Segment reporting

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

For management purposes, the Group uses the same measurement policies as those used in its consolidated 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.

4.11 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of these instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through other comprehensive income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.
Despite the foregoing, the Group may make the following irrevocable election at initial recognition of a financial asset:

- The Company may irrevocably elect to classifying 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 amortized cost or FVTOCI criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognized in the consolidated statement of profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Parent Company may make 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 recognized by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

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

Investments in equity instruments designated as 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 recognized in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss will not be reclassified to the consolidated statement of other comprehensive income on disposal off these investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Dividends on these investments are recognized in the consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment income" line item in the consolidated statement of profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period, specifically:
For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investment revaluation reserve.

Impairment of financial assets

The Group applied the simplified approach and measures the loss allowance for receivables at an amount equal to lifetime ECL. The expected credit losses on receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.
The Group writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over two years past due.

The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9, for financial instruments in cash and bank balances. The Company uses external rating agency credit grades for assessing credit risk on these financial assets and these published grades are continuously monitored and updated.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in consolidated statement of profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not classified under the following items, are subsequently measured at amortized cost using the effective interest method through :

1- contingent consideration of an acquirer in a business combination,
2- held-for trading, or
3- designated as at fair value through profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in consolidated statement of other comprehensive income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, is recognized in the consolidated statement of profit or loss.

4.12 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are Grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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, the Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations 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.

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.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated 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 recognized in the consolidated statement of profit or loss within "change in fair value of investment properties" and "gain/loss on sale of investment properties".

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

4.14 Leased assets

- **The Group as a lessee**

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

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

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position measured as follows:

Right-of-use asset

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

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

Lease liabilities

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

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

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

- **The Group as a lessor**

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

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

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

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

4.15 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.
When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4.16 Related party transactions

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

4.17 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective Group 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 recognized in the consolidated 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.

Foreign operations

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

4.18 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.

4.19 Provisions, contingent assets and contingent liabilities

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.
Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

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

5- Significant management judgements and estimation uncertainty

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

5.1 Significant management judgments

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

5.1.1 Business model assessment

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

5.1.2 Classification of real estates

The Management decides on acquisition of a real estate whether it should be classified as trading property, property under development or investment property.
The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.
The Group classifies property as property under development if it is acquired with the intention of development.
The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

5.1.3 Control assessment

When determining control, the management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5-2 Estimates uncertainty

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

5-2-1 Impairment of financial assets

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

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

5-2-3 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of profit or loss. The Group engaged an independent valuation specialist to determine fair value as at 31 December 2023 and the valuer has 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.

6- Subsidiaries

The details of subsidiaries are as follows:

Subsidiary's name	Country of incorporation	Principal activities	Ownership percentage %	
			31 December 2023	31 December 2022
Consolidated with shareholders				
Hala Real Estate Investment Company (L.L.C)	Arab Republic of Egypt	Real estate investment and marketing, and purchase, sale and lease of land for its own account or third parties	**%100**	%100
Consolidated with policyholders				
Wared Rent a Car Company (K.S.C.C)	State of Kuwait	Car rental and trading in cars and spare parts in the State of Kuwait	**%100**	%100

The financial statements of Wared Rent a Car Company (K.S.C.C) and Hala Real Estate Investment Company (L.L.C) are consolidated based on the financial statements prepared by the managements of the subsidiaries.

The Parent Company's ownership percentage of Hala Real Estate Investment Company (L.L.C) includes 0.5% based on assignment of a party in favor of the Parent Company.

7- Cash and cash equivalents

Cash and cash equivalents of the Group comprise of the following:

	31 December 2023	31 December 2022
Cash on hand and bank balances	**94,818**	43,110
Investment deposits with original maturity within three to twelve months	**32,286**	82,915
	127,104	126,025
Less: Investment deposits with original maturity within three to twelve months	**(32,286)**	(82,915)
Cash and cash equivalents as per consolidated statement of cash flows	**94,818**	43,110

As at 31 December 2023, Investment deposits carry annual effective interest rate of 8.5% (5.34% as at 31 December 2022).

8- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent local quoted securities. The fair value is determined as described in Note (23-3).

9- Financial assets at fair value through other comprehensive income

	31 December 2023	31 December 2022
Local quoted securities	**418,089**	441,096
Local unquoted securities	**39,278**	79,040
Managed portfolios	**223,871**	239,586
Managed funds	**80,058**	101,046
	761,296	860,768

- Managed funds are investments in units of private equity funds. Fair value of these investments is measured based on the net asset value provided by the respective fund managers. The Management believes the net asset value provided by the fund managers represents the best estimate of the fair value available for these investments.

- A related party to the Group manages investment portfolios and funds owned by the Parent Company amounting to KD 223,871 as at 31 December 2023 (KD 239,586 as at 31 December 2022).

10- Amount due from policyholders

	31 December 2023	31 December 2022
Opening balance at beginning of the year	**7,073,465**	7,037,230
Net movement during the year	**72,973**	36,235
	7,146,438	7,073,465
Less: Impairment	**(7,037,230)**	(7,037,230)
Closing balance at the end of the year	**109,208**	36,235

Net movement in policyholders' account represents the net fund transfers from and to their account in addition to the Management fees from policyholders. The Parent Company's management had decided to reduce the Management fees charged to policyholders from 20% of gross premiums to 20% of net profit of policyholders to enable settlement of the above due balances and also to settle the Qard Hassan balance (Note 11) in such a way that ensures continuity of the Takaful insurance activity of the policyholders.

11- Qard Hassan to policyholders' fund

In line with the Articles of Association, policyholders' net deficit from insurance activities has been covered by the Qard Hassan from the shareholders. The balance of Qard Hassan provided by shareholders to the policyholders was settled.

	31 December 2023	31 December 2022
Gross amount	**1,625,611**	1,625,611
Less: impairment	**(1,625,611)**	(1,625,611)
Closing balance	**-**	-

12- Investment properties

	31 December 2023	31 December 2022
Carrying value at the beginning of the year	**2,853,938**	2,872,372
Change in fair value during the year	**25,927**	(18,434)
Carrying value at the end of the year	**2,879,865**	2,853,938

- The above investment properties include a right of use of hotel apartments in Zamzam Tower in Holly Mecca, the Kingdom of Saudi Arabia amounting to KD 81,672 as at 31 December 2023 (KD 82,987 as at 31 December 2022).

The fair value of the Parent Company's investment properties as at 31 December 2023 was concluded based on the valuation conducted at that date by independent valuers who are not related to the Group. The valuer has valid license in each of the countries where the investment properties are located. Such valuers are licensed by the official authorities and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. In estimating the fair value of these properties, the highest and best use of the properties is their current use.

The fair value was estimated according to the following levels:

- Level 2: the fair value is determined based on the comparative market prices for the areas where the land and properties are located.
- Level 3: the fair value is determined on the basis of the income capitalization method.

The details of investment properties and information about the fair value hierarchy as at 31 December are as follows:

	Level 2	**Level 3**	**Fair value 31 December 2023**	Fair value 31 December 2022
Investment property in Egypt	**2,798,193**	**-**	**2,798,193**	2,770,951
hotel apartments in Zamzam Tower in Holly Mecca	**-**	**81,672**	**81,672**	82,987

13- Equity

Capital

The authorized, issued, and paid-up share capital of the Parent Company as at 31 December 2023 was KD 11,025,000 comprising of 110,250,000 shares of 100 Fils each (KD 11,025,000 comprising of 110,250,000 shares of 100 Fils each as at 31 December 2022). All shares are in cash.

Treasury Shares

The Group holds treasury shares as detailed below:

	31 December 2023	31 December 2022
Number of shares	**445,500**	445,500
Percentage of issued shares	**0.40%**	0.40%
Market value (KD)	**10,692**	22,721
Cost (KD)	**50,489**	50,489

The reserves equal to the cost of held treasury shares are not available for distribution.

14- Statutory and voluntary reserves

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to statutory reserve. The Parent Company's shareholders may resolve to discontinue such annual transfer when the statutory and voluntary reserves exceed 50% of the paid-up share capital.

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

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, Zakat, NLST and 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.
There are no restrictions on the distribution of voluntary reserves.
No transfers to the reserves are required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

15- Basic earnings per share

The basic earnings per share is computed through dividing the profit by weighted average number of shares outstanding during the year (excluding the treasury shares) as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Profit for the year (KD)	**88,293**	83,008
Number of shares	**110,250,000**	110,250,000
Less: weighted average number of treasury shares outstanding during the year	**(445,500)**	(445,500)
Weighted average number of shares outstanding during the year	**109,804,500**	109,804,500
Basic earnings per share (Fils)	**0.804**	0.756

16- Shareholders' general assembly

On 21 May 2023, the general assembly of the shareholders approved the consolidated financial statements of the Group for the year ended 31 December 2023 and the proposal of the Board of Directors not to distribute any dividends for the year then ended.

17- Consolidated policyholders' results by line of business and fund

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

a- 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 recognized at the time of recognition of the related premium.

b- Reinsurance

In the normal course of business, the Group cedes and assumes certain levels of risk in various areas of exposure with other insurance companies or reinsurers. Such reinsurance includes quota share, excess of loss, facultative and other forms of reinsurance on essentially all lines of business.
Reinsurance ceded or assumed are deducted from gross premium to arrive at net written premium.

c- 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 consolidated statement of policyholders' results as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the financial position date. The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on the Management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the consolidated financial position date. Any difference between the provisions at the consolidated financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

d- Liability adequacy test

At each consolidated financial position date, the Group assesses whether its recognized 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 recognized in the consolidated statement of policyholders' result and an unexpired risk provision created.
The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the consolidated financial position date.

e- Premium 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.

f- Equipment

Equipment is initially recognized at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's Management. Equipment is subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognized 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:

- Buildings: 20 years
- Equipment: 5-8 years
- Vehicles: 4-5 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 recognized in the consolidated statement of policyholders' results.

g- Life takaful mathematical reserve

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

h- Additional reserve

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

i- Provision for employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labor law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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

j- Estimation uncertainty

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

Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group makes 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 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 judgment by the 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 judgment and uncertainty and actual results may differ from Management's estimates resulting in the future changes in the estimated liabilities. The Group generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. The Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis.

Reinsurance

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

18- Statement of consolidated policyholders' results by line of business:

Year ended 31 December 2023:

	31 December 2023	31 December 2022
Revenue		
Insurance income	**2,580,554**	3,472,593
Insurance services' expenses	**(1,544,729)**	(887,454)
Net re-insurance contracts expenses	**(972,668)**	(2,365,850)
Results of Insurance services	**63,157**	219,289
Financing income for issued insurance contracts	**9,587**	46,166
Financing expenses from held re-insurance contracts	**(9,013)**	(48,295)
Net results of insurance financing	**574**	(2,129)
Net results of insurance financing	**63,731**	217,160
Other income	**65,522**	38,662
Net surplus from Takaful Insurance transactions	**129,253**	255,822
Lease income	**41,816**	153,238
Lease related expenses	**(59,032)**	(69,758)
Net results of other activities	**(17,216)**	83,480
Net surplus	**112,037**	339,303

* In accordance with the Parent Company's Articles of Association, shareholders are entitled to management fees from policyholders up to 20% of the total premiums written and investment income. In its meeting held on 21 June 2017, the Board of Directors resolved to calculate management fees at 20% of net profit instead of 20% of revenue as a right to shareholders in the results of policyholders starting from 1 April 2017 until further notice.

19- Policyholders' assets, liabilities and fund:

	31 December 2023	31 December 2022 Restated
Assets		
Cash and cash equivalents	**80,417**	137,418
Investment deposits	**1,159,492**	1,159,492
Accounts and other receivables	**815,240**	588,854
Financial assets at fair value through other comprehensive income	**111,638**	114,877
Goodwill	**409,766**	409,766
Assets of re-insurance contracts held	**3,698,644**	3,098,427
Furniture and equipment	**3,520**	15,712
Total assets	**6,278,717**	5,524,546
Liabilities and Policyholders' fund		
Liabilities		
Liabilities of issued insurance contracts	**1,776,834**	997,489
End of service indemnity	**361,861**	311,419
Payables and accrued expenses	**3,377,731**	3,612,711
Amount due to shareholders	**7,146,438**	7,073,465
Qard Hassan from shareholders	**1,625,611**	1,625,611
Total liabilities	**14,288,475**	13,620,695
Policyholders' fund		
Policyholders' fund balance	**(7,929,958)**	(8,203,958)
Provision for insurance and re-insurance contracts	**(5,960)**	(5,960)
Fair value reserve	**(163,470)**	(160,231)
Net surplus of policyholders for the year	**112,037**	339,303
Management fees due to the Company's shareholders	**(22,407)**	(65,303)
Total policyholders' fund at end of the year	**(8,009,758)**	(8,096,149)
Total liabilities and policyholders' fund	**6,278,717**	5,524,546

20- Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	2023	2022
Shareholders		
Consolidated statement of profit or loss:		
Salaries and short-term benefits	**15,000**	15,000
Consolidated statement of financial position:		
Investments at fair value through other comprehensive income	**761,296**	860,768

- Transactions with related parties are subject to the approval of the shareholder’s general assembly.
- Investment at fair value through other comprehensive income above include the Group's investments in the shares of subsidiaries of the Ultimate Parent Company (Investment Dar Company and subsidiaries) amounting to KD 428,617 (2022: KD 457,035).

	2023	2022
Policyholders		
Key management compensation:		
Salaries and short-term benefits	**83,556**	82,040
End of service benefits	**8,034**	10,147
	91,590	92,187

21- Segment analysis

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision makers in order to allocate resources to the segment and to assess its performance, and is reconciled to Group's profit or loss. The Group's presented segments are investment, Takaful insurance and car rental.

The relevant sector information is as follows:

	Investment	Takaful insurance	Unallocated	Total
Shareholders				
Year ended 31 December 2023				
Revenue	**109,243**	**22,407**	**-**	**131,650**
Profit for the year	**65,886**	**22,407**	**-**	**88,293**
As at 31 December 2023				
Total assets	**4,108,290**	**109,208**	**-**	**4,217,498**
Total liabilities	**(146,806)**	**-**	**-**	**(146,806)**
Net assets	**3,961,484**	**109,208**	**-**	**4,070,692**

	Investment	Takaful insurance	Unallocated	Total
Shareholders				
Year ended 31 December 2022				
Revenue	54,218	65,303	-	119,521
Profit for the year – restated	17,705	65,303	-	83,008
As at 31 December 2022				
Total assets - restated				
Total liabilities	4,117,858	-	108,184	4,226,042
Net assets – restated	(41,286)	-	(103,077)	(144,363)

	Investment	**Takaful insurance**	**Car rental**	**Unallocated**	**Total**
Policyholders					
Year ended 31 December 2023					
Gross revenue	**65,522**	**2,580,554**	**41,816**	**-**	**2,687,892**
Profit/ (loss) for the year	**65,522**	**63,731**	**(17,216)**	**-**	**112,037**
As at 31 December 2023					
Total assets	**1,271,130**	**4,623,826**	**383,761**	**-**	**6,278,717**
Total liabilities	**-**	**(14,076,947)**	**(211,528)**	**-**	**(14,288,475)**
Net assets	**1,271,130**	**(9,453,121)**	**172,233**	**-**	**(8,009,758)**

	Investment	**Takaful insurance**	**Car rental**	**Unallocated**	**Total**
Policyholders					
Year ended 31 December 2022					
Gross revenue	38,662	3,472,593	153,238	-	3,664,493
Profit/ (loss) for the year	38,662	217,160	83,480	-	339,302
As at 31 December 2022					
Total assets	1,274,369	3,853,720	396,457	-	5,524,546
Total liabilities	-	(13,413,687)	(207,008)	-	(13,620,695)
Net assets	1,274,369	(9,559,967)	189,449	-	(8,096,149)

22- Risk management objectives and policies

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

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

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

On 1 September 2019, the new Insurance Law No. 125 of 2019 has been issued and is effective from 28 August 2019. This law supersedes the Law No. 24 of 1961. On 11 March 2022, the Executive Regulations of Law No. 125 of 2019 regarding the Regulation of Insurance were issued. All entities subject to the provisions of Article 2 of Law No. 125 of 2019 regarding the Regulation of Insurance shall regularize their status in accordance with the provisions of the Law and such regulations within one year from the publish date of such Resolution.

The following are the key regulations governing the operations of the Group:

a- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.

b- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.

c- For all other types of takaful 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 remaining value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.

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

22-1 Insurance risk

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

Frequency and amounts of claims

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

1- General insurance contracts

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

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

Marine and aviation

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has reinsurance cover to limit losses for any individual claim up to KD 1,400,000 (31 December 2022: KD1,400,000).

Fire and accident

For property insurance contracts, the main risks are fire and business interruption. In recent years the Group has only underwritten policies for properties containing fire detection equipment.
These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has reinsurance cover for such damage to limit losses for any individual claim up to KD 3,250,000 (31 December 2022: KD 3,250,000).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Group has primarily underwritten comprehensive polices for owner/ drivers over 21 years of age. The Group has reinsurance cover to limit losses for any individual claim up to KD 600,000 (31 December 2022: KD 600,000).
The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to motor vehicles are the key factors that influence the level of claims.

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

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

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

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

	31 December 2023			31 December 2022		
	Gross liabilities	**Reinsurers' share**	**Net liabilities**	Gross liabilities	Reinsurers' share	Net liabilities
Marine and aviation	**296,290**	**269,430**	**26,860**	233,747	214,068	19,679
General accident	**2,325,461**	**1,414,120**	**911,341**	2,223,760	1,492,279	731,481
Fire	**223,320**	**196,534**	**26,786**	195,383	171,233	24,150
Total	**2,845,071**	**1,880,084**	**964,987**	2,652,890	1,877,580	775,310

Key assumptions

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

2- Life takaful insurance contracts

For life takaful insurance the main risks are claims for medical, death or permanent disability. The underwriting strategy for the life of business is to ensure that policies are well diversified in terms of type of risk and level of insured benefit. This is achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

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

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

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

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

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

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

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

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

	31 December 2023			31 December 2022		
	Gross liabilities	**Reinsurers' share**	**Net liabilities**	Gross liabilities	Reinsurers' share	Net liabilities
Life takaful insurance	**49,827**	**46,438**	**3,389**	173,358	120,717	52,641

All life takaful insurance contracts are executed 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 takaful 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.

22-2 Financial risks

The Group's activities expose it to variety of financial risks: market risk (including currency risk, profit rate risk and equity price risk), credit risk and liquidity risk.
The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
The most significant financial risks to which the Group is exposed are described below.

22-2-1 Credit risk

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

	31 December 2023	31 December 2022
Shareholders		
Cash and cash equivalents	**94,818**	43,110
Investment deposits	**32,286**	82,915
Other assets	**17,420**	5,886
	144,524	131,911

	31 December 2023	31 December 2022
Policyholders		
bank balances	**80,417**	137,418
Investment deposits	**1,159,492**	1,159,492
Accounts and other receivables	**815,240**	588,854
Assets of re-insurance contracts held	**3,698,647**	3,098,427
	5,753,796	4,984,191

22-2-2 Liquidity risk

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

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

	Up to one year	**Above one year**	**31 December 2023**
31 December 2023			
Shareholders			
Assets			
Cash and cash equivalents	**94,818**	**-**	**94,818**
Investment deposits	**32,286**	**-**	**32,286**
Financial assets at fair value through profit or loss	**-**	**257,523**	**257,523**
Financial assets at fair value through other comprehensive income	**-**	**761,296**	**761,296**
Due from policyholders	**-**	**109,208**	**109,208**
Investment properties	**-**	**2,879,865**	**2,879,865**
Equipment and property	**-**	**65,082**	**65,082**
Accounts and other receivables	**-**	**17,420**	**17,420**
	127,104	**4,090,394**	**4,217,498**
Liabilities			
Other payables	**146,806**	**-**	**146,806**
	146,806	**-**	**146,806**
Net exposure	**(19,702)**	**4,090,394**	**4,070,692**

	Up to one year	Above one year	31 December 2023
31 December 2023			
Policyholders			
Assets			
Cash and cash equivalents	80,417	-	80,417
Investment deposits	1,159,492	-	1,159,492
Accounts and other receivables	815,240	-	815,240
Financial assets at fair value through other comprehensive income	-	111,638	111,638
Goodwill	-	409,766	409,766
Assets of reinsurance contracts held	-	3,698,644	3,698,644
Furniture and equipment	-	3,520	3,520
	2,055,149	4,223,568	6,278,717
Liabilities			
Liabilities of issued insurance contracts	-	(1,776,834)	(1,776,834)
End of service indemnity	-	(361,861)	(361,861)
Payables and accrued expenses	(3,377,731)	-	(3,377,731)
Due to shareholders	-	(7,146,438)	(7,146,438)
Qard Hassan from shareholders	-	(1,625,611)	(1,625,611)
	(3,377,731)	(10,910,744)	(14,288,475)
Net exposure	(1,322,582)	(6,687,176)	(8,009,758)

Notes to consolidated financial statements for the financial year ended 31 December 2023
(All amounts are in Kuwaiti Dinar)

	Up to one year	Above one year	31 December 2022
31 December 2022			
Shareholders			
Assets			
Cash and cash equivalents	43,110	-	43,110
Investment deposits	82,915	-	82,915
Investments at fair value through profit or loss	-	262,191	262,191
Due from policyholders		36,235	36,235
Investments at fair value through other comprehensive income	-	860,768	860,768
Investment properties	-	2,853,938	2,853,938
Equipment and property	-	80,999	80,999
Other receivables	-	5,886	5,886
	126,025	4,100,017	4,226,042
Liabilities			
Other payables	(144,363)	-	(144,363)
	(144,363)	-	(144,363)
Net exposure	(18,338)	4,100,017	4,081,679
Policyholders			
Assets			
Cash and cash equivalents	137,418	-	137,418
Investment deposits	1,159,492	-	1,159,492
Accounts and other receivables	588,854	-	588,854
Financial assets at fair value through other comprehensive income	-	114,877	114,877
Goodwill	-	409,766	409,766
Assets of reinsurance contracts held	-	3,098,427	3,098,427
Equipment	-	15,712	15,712
	1,885,764	3,638,782	5,524,546
Liabilities			
Liabilities of issued insurance contracts	-	(997,489)	(997,489)
End of service indemnity	-	(311,419)	(311,419)
Payables and accrued expenses	(3,612,711)	-	(3,612,711)
Due to shareholders	-	(7,073,465)	(7,073,465)
Qard Hassan from shareholders	-	(1,625,611)	(1,625,611)
	(3,612,711)	(10,007,984)	(13,620,695)
Net exposure	(1,726,947)	(6,369,202)	(8,096,149)

22-2-3 Market risk

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

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

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

a- Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to significant currency risk because the Group's significant transactions, assets and liabilities are dominated in its functional currency.

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. As the Group's interest-bearing assets are deposits with banks mostly at fixed rates over the contractual term, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not have any interest-bearing liabilities.

c- Equity price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through profit or loss and investments at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its investments. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

23- Fair value measurement

23-1 Fair value measurement of financial instruments

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

	31 December 2023	31 December 2022
Shareholders' assets and liabilities		
Financial assets		
At amortized cost		
Cash and cash equivalents	**94,818**	43,110
Investment deposits	**32,286**	82,915
Accounts and other receivables	**17,420**	5,886
	144,524	131,911
Financial assets at fair value		
Investments at fair value through other comprehensive income	**761,296**	860,768
Investments at fair value through profit or loss	**257,523**	262,191
	1,018,819	1,122,959
Financial liabilities:		
Financial liabilities at amortized cost		
other payables	**146,806**	144,363
	146,806	144,363

Policyholders' assets and liabilities	**31 December 2023**	31 December 2022
Financial assets		
At amortized cost:		
Cash and cash equivalents	**80,417**	137,418
Investment deposits	**1,159,492**	1,159,492
Accounts and other receivables	**815,240**	588,854
Goodwill	**409,766**	409,766
Assets of re-insurance contracts held	**3,698,644**	3,098,427
Assets of insurance contracts held	**-**	249,514
Furniture and equipment	**3,520**	15,712
Financial assets at fair value	**6,167,079**	5,659,183
Investments at fair value through othe comprehensive income	**111,638**	114,877
	111,638	114,877
Financial liabilities		
Financial liabilities at amortized cost		
Liabilities of issued insurance contracts	**1,776,834**	997,489
End of service indemnity	**361,861**	311,419
Accounts and other payables	**3,377,731**	3,612,711
Due to shareholders	**7,146,438**	7,073,465
Qard Hassan from shareholders	**1,625,611**	1,625,611
	14,288,475	13,620,695

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

23-2 Fair value measurement

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

23-3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated statement of financial position 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
- Level3: 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 and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2023

	Level 1	Level 2	Level 3	Total
Shareholders:				
Investments at fair value through profit or loss	**257,523**	**-**	**-**	**257,523**
Investments at fair value through other comprehensive income	**418,089**	**-**	**343,207**	**761,296**
	675,612	**-**	**343,207**	**1,018,819**
Policyholders				
Investments at fair value through other comprehensive income	**13,150**	**-**	**98,488**	**111,638**
	13,150	**-**	**98,488**	**111,638**

31 December 2022

	Level 1	Level 2	Level 3	Total
Shareholders:				
Investments at fair value through profit or loss	262,191	-	-	262,191
Investments at fair value through other comprehensive income	441,096	-	419,672	860,768
	703,287	-	419,672	1,122,959
Policyholders				
Investments at fair value through other comprehensive income	16,389	-	98,488	114,877
	16,389	-	98,488	114,877

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

Measurement at fair value

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

a- **Quoted securities:** All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b- **Unquoted securities:** Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

c- **Managed funds and portfolios:** The underlying investments of managed funds and portfolios primarily comprise of local and foreign quoted and unquoted securities whose fair values have been determined based on the fund's /portfolio's managers' report as at the reporting dates.

Level 3:

Fair value measurements

The Group's financial assets classified in Level3 uses valuation techniques based on significant inputs that are not based on observable market data.

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

The valuation techniques used for instruments categorized in Level 3 are described below:
The fair value of financial instruments that are not traded in an active market (e.g., unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments is approximately the summation of the estimated value of underlying investments as if realized on the consolidated 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 and market multiples to determine fair value.

23-4 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**
31 December 2023				
Investment property				
• Investment building in Egypt	**-**	**2,798,193**	**-**	**2,798,193**
• Hotel apartments in Zamzam Tower in Holly Mecca	**-**	**-**	**81,672**	**81,672**
	-	**2,798,193**	**81,672**	**2,879,865**

	Level 1	Level 2	Level 3	Total
31 December 2022				
Investment property				
• Investment building in Egypt	-	2,770,951	-	2,770,951
• Hotel apartments in Zamzam Tower in Holly Mecca	-	-	82,987	82,987
	-	2,770,951	82,987	2,853,938

Fair value of the Group's investment property is estimated based on appraisals performed by an independent, professionally qualified property valuer. The significant inputs and assumptions are developed in close consultation with management.

24- Contingent commitments and liabilities

The Group is a defendant in a number of legal cases filed by Takaful contract holders in respect of claims subject to dispute with the Group including a legal case filed by a government body against the Group for an amount of KD 3,636,022, which the Group has provided for in the accounts and other payable. Although the Court of Appeal passed its ruling in favor of the State and the Parent Company filed appeal in cassation before the Court of Cassation, the Parent Company has made provisions which, in its opinion, are adequate to cover any resultant liabilities.

25- Capital management objectives

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

The capital consists of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and other variables associated risk characteristics of the Group's underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group monitors its capital by way of return on equity.

26- Impact of Applying International Financial Reporting Standard 17 "Insurance Contracts"

The following is the impact of applying IFRS 17 "Insurance Contracts" on the consolidated statement of financial position of policyholders as at 31 December 2022:

	01 January 2023 As previously stated.	Effect of IFRS 17 application	01 January 2023 Restated
Assets			
Cash and cash equivalents	**137,418**	-	137,418
Investment deposit	**1,159,492**	-	1,159,492
Accounts and other receivables	**1,705,858**	(1,117,004)	588,854
Premiums receivable	**1,383,232**	(1,383,232)	-
Financial Assets at fair value through other comprehensive income	**114,877**	-	114,877
Due from related parties	**11,377**	(11,377)	-
Goodwill	**409,766**	-	409,766
Assets of reinsurance contracts held	**-**	3,098,427	3,098,427
Share of reinsurers in outstanding claims	**2,235,422**	(2,235,422)	-
Reinsurance premiums receivable	**1,446,997**	(1,446,997)	-
Intangible assets	**1,278**	(1,278)	-
Equipment	**15,712**		15,712
Total assets	**8,621,429**	(3,096,883)	5,524,546

Liabilities and Policyholders' equity			
Liabilities			
Reserve for outstanding claims	**2,577,261**	(2,577,261)	-
Unearned premiums	**546,886**	(546,886)	-
Incurred but unreported claims reserve	**130,415**	(130,415)	-
Unallocated loss adjustment expense reserve	**27,782**	(27,782)	-
Lease payables	**17,336**	(17,336)	-
Issued insurance contracts liabilities	**-**	997,489	997,489
End of service indemnity	**311,419**	-	311,419
Payables and accrued expenses	**4,414,621**	(801,910)	3,612,711
Amount due to shareholders	**7,073,465**	-	7,073,465
Qard Hassan from Shareholders	**1,625,611**	-	1,625,611
Total liabilities	**16,724,796**	(3,104,101)	13,620,695
Policyholders' equity			
Policyholders' equity balance at the beginning of the year	**(8,203,958)**	-	(8,203,958)
Insurance and reinsurance contracts reserve	**-**	(5,960)	(5,960)
Fair value reserve at the end of the year	**(160,231)**	-	(160,231)
Net surplus from policyholders for the period / for the year	**326,125**	13,178	339,303
Management fees for the Company's shareholders	**(65,303)**	-	(65,303)
Total deficit of policyholders at the end of the year	**(8,103,367)**	7,218	(8,096,149)
Total liabilities and equity of policyholders	**8,621,429**	(3,096,883)	5,524,546

27- Insurance contracts liabilities as at 31 December 2023

	2023							
	Remaining coverage component			**Incurred claims component**				**Total**
				Non-measured contracts under the PAA	**Contracts measured under PAA**		**Total incurred claims component**	
	Except loss component	**Loss component**	**Total remaining coverage component**		**Estimates of fair value for future cash flows**	**Risk adjustment**		
Opening balance of insurance contracts assets	643,017	-	643,017	-	-	-		(643,017)
Opening balance of insurance contracts liabilities	-	-	-	-	2,351,067	104,343	2,455,410	2,455,410
Net opening balance	**643,017**	**-**	**643,017**		**2,351,067**	**104,343**	**2,455,410**	**3,098,427**
Insurance contracts under amended retrospective approach	-	-	-	-	-	-	-	-
Insurance contracts under fair value approach	-	-	-	-	-	-	-	-
Other insurance contracts	(1,612,178)	-	(1,612,178)	-	-	-	-	(1,612,178)
Insurance revenue	**(1,612,178)**	-	**(1,612,178)**	**-**	**-**	**-**	**-**	**(1,612,178)**
Incurred claims and other insurance service expenses	**-**	**-**	**-**	**-**	**306,394**	-	**306,394**	**306,394**
Amortization of insurance acquisitions cash flows	**-**	**-**	**-**	**-**				
Losses and reversal of losses on onerous contracts	**-**	**-**	**-**	**-**				
Adjustments to incurred claims	**-**	**-**	**-**	**-**	138,560	194,556	333,116	333,116
Insurance service expenses	**-**	**-**	**-**	**-**	**444,954**	**194,556**	**639,510**	**639,510**
Investment component and premiums recovered	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Insurance service result	**(1,612,178)**	-	**(1,612,178)**	**-**	**444,954**	**194,556**	**639,510**	**(972,668)**
Net finance income or expenses from insurance contracts recognized in profit or loss	-	-	-	-	(3,718)	(5,295)	(9,013)	(9,013)

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(All amounts are in Kuwaiti Dinar)

Net finance income or expenses from insurance contracts recognized in shareholders' equity	-	-	-	-	-	-	-	-
Net finance income or expenses from insurance contracts	**-**	**-**	**-**	**-**	**(3,718)**	**(5,295)**	**(9,013)**	**(9,013)**
Total changes in the statement of profit or loss and other comprehensive income	**(1,612,178)**	-	**(1,612,178)**		**441,236**	**189,261**	**630,497**	**(981,681)**
Cash flows								
Premiums received	1,967,880	-	1,967,880	-	-	-	-	1,967,880
Payments of liabilities and other insurance service expenses including investment components	-	-	-	-	(385,984)	-	(385,984)	(385,984)
Payments of insurance acquisition cash flows	-	-	-	-				
Total cash flows	**1,967,880**	**-**	**1,967,880**		**(385,984)**	**-**	**(385,984)**	**1,581,896**
Effect of exchange rates movement	-	-	-	-	-	-	-	-
Effect of changes in aggregation scope and other changes	-	-	-	-	-	-	-	-
Closing balance of insurance contracts assets	-	-	-	-	-	-	-	-
Closing balance of insurance contracts liabilities	**998,719**	**-**	**998,719**		**2,406,320**	**293,605**	**2,699,925**	**3,698,644**

Notes to consolidated financial statements for the financial year ended 31 December 2023
(All amounts are in Kuwaiti Dinar)

Insurance contracts liabilities as at 31 December 2022	2022							
	Remaining coverage component			Incurred claims component				Total
				Non-measured contracts under the PAA	Contracts measured under PAA		Total incurred claims component	
	Except loss component	Loss component	Total remaining coverage component		Estimates of fair value for future cash flows	Risk adjustment		
Opening balance of insurance contracts assets	573,714	-	573,714					573,714
Opening balance of insurance contracts liabilities	-	-	-	-	1,921,975	127,410	2,049,385	2,049,385
Net opening balance	-	-	-	-	1,921,975	127,410	2,049,385	2,623,099
Insurance contracts under amended retrospective approach								
Insurance contracts under fair value approach								
Other insurance contracts								
Insurance revenue	(2,580,554)	-	(2,580,554)	-	-	-	-	(2,580,554)
Incurred claims and other insurance service expenses	(2,580,554)	-	(2,580,554)	-	-	-	-	(2,580,554)
Amortization of insurance acquisitions cash flows					1,113,841		1,113,841	1,113,841
Losses and reversal of losses on onerous contracts								
Adjustments to incurred claims								
Insurance service expenses	-	-	-	-	163,005	267,884	430,889	430,889
Investment component and premiums recovered	-	-	-	-	1,276,846	267,884	1,544,730	1,544,730
Insurance service result	-	-	-	-	-	-	-	-
Net finance income or expenses from insurance contracts recognized in profit or loss	(2,580,554)	-	(2,580,554)	-	1,276,846	267,884	1,544,730	(1,035,825)
Net finance income or expenses from insurance contracts recognized in shareholders' equity	-	-	-	-	(2,929)	(6,658)	(9,587)	(9,587)

Notes to consolidated financial statements for the financial year ended 31 December 2023
(All amounts are in Kuwaiti Dinar)

Net finance income or expenses from insurance contracts	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and other comprehensive income	-	-	-	-	(2,929)	-	(9,587)	(9,587)
	(2,580,554)	-	(2,580,554)	-	1,273,917	261,226	1,535,143	(1,045,412)
Cash flows								
Premiums received	2,921,350	-	2,921,350	-	-	-	-	2,921,350
Payments of liabilities and other insurance service expenses including investment components	-	-	-	-	(921,473)	-	(921,473)	(921,473)
Payments of insurance acquisition cash flows	-	-	-	-	(175,119)	-	(175,119)	(175,119)
Total cash flows	1,778,299	-	1,778,299	-	(1,096,592)	-	(1,096,592)	1,824,758
Effect of exchange rates movement	-	-	-	-	-	-	-	-
Effect of changes in aggregation scope and other changes	-	-	-	-	-	-	-	-
Closing balance of insurance contracts assets	-	-	-	-	-	-	-	-
Closing balance of insurance contracts liabilities	914,510	-	914,510		2,099,300	388,636	2,487,935	3,402,445

28- Insurance revenue as of 31 December 2023

	Maritime and aviation	**Public accidents**	**Fire**	**Vehicles**	**Medical and life**	**Total**
Contracts not measured under PAA	-	-	-	-	-	-
Amounts related to LRC	-	-	-	-	-	-
Profit margin for contractual services recognized for rendered services	-	-	-	-	-	-
Change in risk adjustment for non-financial risks related to expired risks	-	-	-	-	-	-
Expected incurred claims and other insurance service expenses	-	-	-	-	-	-
Others	-	-	-	-	-	-
Recovery of Insurance acquisition cash flows	-	-	-	-	-	-
Contracts measures under PAA	**191,986**	**1,501,018**	**93,606**	**745,469**	**48,475**	**2,580,554**
total insurance revenue	**191,986**	**1,501,018**	**93,606**	**745,469**	**48,475**	**2,580,554**

	Maritime and aviation	Public accidents	Fires	Vehicles	Medical and life	Total
Contracts not measured under PAA	-	-	-	-	-	-
Amounts related to LRC	-	-	-	-	-	-
Profit margin for contractual services recognized for rendered services	-	-	-	-	-	-
Change in risk adjustment for non-financial risks related to expired risks	-	-	-	-	-	-
Expected incurred claims and other insurance service expenses	-	-	-	-	-	-
Others	-	-	-	-	-	-
Recovery of Insurance acquisition cash flows	-	-	-	-	-	-
Contracts measures under PAA	129,409	1,575,730	922,884	638,470	206,100	3,472,593
Total insurance revenue	129,409	1,575,730	922,884	638,470	206,100	3,472,593

29- Going Concern

The Company’s accumulated losses amounted to KD 6,829,836 as at 31 December 2023. This indicates the existence of risk associated with the Parent Company’s going concern. However, the Company’s management believes that despite significant doubt about the Company’s ability to address the above risk, the Parent Company is able to generate profits and positive cash flows from its future operations, which will eliminate the going concern risk.