

**Burgan Takaful Insurance Co.
Kuwait Shareholding Company (Closed) and Subsidiaries
Kuwait
Consolidated Financial Statements
With
Independent Auditor's Report
For the year ended 31 December 2024**

**Burgan Takaful Insurance Company
Kuwait Shareholding Company (Closed) and Subsidiaries
Kuwait**

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Burgan Takaful Insurance Co.
Kuwait Shareholding Company (Closed)
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Burgan Takaful Insurance Co. - K.S.C. (Closed), Kuwait, ("the Parent Company"), and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of income, consolidated statement of 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 material 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 2024 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.

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

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

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

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



**Independent Auditor's Report to the shareholders of Burgan Takaful Insurance Co. KSC
(Closed) (Continued)**

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Independent Auditor's Report to the shareholders of Burgan Takaful Insurance Co. KSC
(Closed) (Continued)**

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities of 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 the management regarding 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.

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 board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we have obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and the Parent Company's Memorandum and Articles of Association, as amended, and an inventory was carried out in accordance with recognized procedures. 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 Memorandum and Articles of Association of the Parent Company, as amended, have occurred during the financial year ended 31 December 2024 that might have had a material effect on the business of the Group or on its consolidated financial position.



Rabea Saad Al-Muhanna
Licence No. 152 A
Crowe Al-Muhanna & Co.

Kuwait
20 March 2025

**Burgan Takaful Insurance Company
Kuwait Shareholding Company (Closed) and Subsidiaries
Kuwait**

Consolidated Statement of Financial Position as at 31 December 2024

| | Notes | 2024 KD | 2023 KD |
|---|--------------|-------------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 4 | 97,830 | 1,268,289 |
| Term deposits | 5 | 1,525,000 | 495,000 |
| Financial assets at fair value through profit or loss | 6 | 658,765 | - |
| Financial assets at fair value through other comprehensive income | 7 | 622,544 | 1,000,602 |
| Investment in an associate | 8 | 375,804 | - |
| Qard Hassan to policyholders | 9 | 2,871,132 | 3,021,097 |
| Due from sale of a subsidiary | | 200,000 | - |
| Due from related parties | 13 | 661,141 | - |
| Goodwill | | - | 241,010 |
| Property and equipment | | - | 221,394 |
| Intangible assets | | - | 132,450 |
| Other assets | | 31,849 | 30,760 |
| Total assets | | <u>7,044,065</u> | <u>6,410,602</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Capital | 10 | 5,250,000 | 5,250,000 |
| Statutory reserve | 11 | 61,908 | 61,908 |
| Cumulative changes in fair value | | 149,219 | 31,633 |
| Accumulated losses | | (392,447) | (704,210) |
| Total equity | | <u>5,068,680</u> | <u>4,639,331</u> |
| Liabilities | | | |
| Amounts due to policyholders | 12 | 1,972,459 | 1,738,328 |
| Other liabilities | | 2,926 | 32,943 |
| Total liabilities | | <u>1,975,385</u> | <u>1,771,271</u> |
| Total equity and liabilities | | <u>7,044,065</u> | <u>6,410,602</u> |

The accompanying notes are an integral part of these consolidated financial statements

Ahmed Youssef Aljassmi
Chairman

**Burgan Takaful Insurance Company
Kuwait Shareholding Company (Closed) and Subsidiaries
Kuwait**

Consolidated Statement of Income for the year ended 31 December 2024

| | | 2024 KD | 2023 KD |
|---|-----------|----------------|---------------|
| | Notes | | |
| Continuing operations | | | |
| Administrative and general expenses | | (1,938) | - |
| Investment portfolios management fees | | (7,076) | (6,169) |
| Unrealized gains from financial assets at fair value through through profit or loss | 6 | 9,637 | - |
| Realized losses from financial assets at fair value through profit or loss | | (9,856) | - |
| Share of results of an associate | 8 | 48,531 | - |
| Gain on term deposits | | 51,866 | 21,944 |
| Dividends revenue | | 18,009 | 23,240 |
| Profit for the year from continuing operations | | 109,173 | 39,015 |
| Discontinued operations | | | |
| Profit/ (loss) from discontinued operations | 14 | 199,764 | (33,590) |
| Profit for the year before Zakat | | 308,937 | 5,425 |
| Zakat | | (2,552) | - |
| Net profit for the year | | 306,385 | 5,425 |
| Earning per share (fils) | 15 | 5.84 | 0.10 |

The accompanying notes are an integral part of these consolidated financial statements

**Burgan Takaful Insurance Company
Kuwait Shareholding Company (Closed) and Subsidiaries
Kuwait**

Consolidated Statement of Comprehensive Income for the year ended 31 December 2024

| | 2024 | 2023 |
|--|----------------|-----------------|
| | KD | KD |
| Net profit for the year | 306,385 | 5,425 |
| Other comprehensive income: | | |
| <i>Items will not be reclassified to statement of income in subsequent periods:</i> | | |
| Changes in fair value of financial assets at fair value through other comprehensive income | 122,964 | (96,963) |
| Total other comprehensive income/ (loss) for the year | 122,964 | (96,963) |
| Total comprehensive income/ (loss) for the year | 429,349 | (91,538) |

The accompanying notes are an integral part of these consolidated financial statements

**Burgan Takaful Insurance Company
Kuwait Shareholding Company (Closed) and Subsidiaries
Kuwait**

Consolidated Statement of Changes in Equity for the year ended 31 December 2024

| | Capital KD | Statutory reserve KD | Cumulative changes in fair value KD | Accumulated losses KD | Total KD |
|---|------------------|----------------------------|--|-----------------------------|------------------|
| Balance at 1 January 2023 | 5,250,000 | 61,908 | 130,348 | (711,387) | 4,730,869 |
| Net profit for the year | - | - | - | 5,425 | 5,425 |
| Other comprehensive loss for the year | - | - | (96,963) | - | (96,963) |
| Total comprehensive loss for the year | - | - | (96,963) | 5,425 | (91,538) |
| Disposal of financial assets at fair value through other comprehensive income | - | - | (1,752) | 1,752 | - |
| Balance at 31 December 2023 | 5,250,000 | 61,908 | 31,633 | (704,210) | 4,639,331 |
| Net profit for the year | - | - | - | 306,385 | 306,385 |
| Other comprehensive income | - | - | 122,964 | - | 122,964 |
| Total comprehensive income for the year | - | - | 122,964 | 306,385 | 429,349 |
| Disposal of financial assets at fair value through other comprehensive income | - | - | (5,378) | 5,378 | - |
| Balance at 31 December 2024 | 5,250,000 | 61,908 | 149,219 | (392,447) | 5,068,680 |

The accompanying notes are an integral part of these consolidated financial statements

**Burgan Takaful Insurance Company
Kuwait Shareholding Company (Closed) and Subsidiaries
Kuwait**

Consolidated Statement of Cash Flows for the year ended 31 December 2024

| | 2024 KD | 2023 KD |
|---|-----------------|------------------|
| Note | | |
| Operating activities | | |
| Net profit for the year | 306,385 | 5,425 |
| Adjustments for: | | |
| Depreciation and amortization | 21,737 | 40,519 |
| Unrealized gains from financial assets at fair value through profit or loss | (9,637) | - |
| Realized losses from financial assets at fair value through profit or loss | 9,856 | - |
| Share of results of an associate | (48,531) | - |
| Gain on term deposits | (51,866) | (21,944) |
| Gains from sale of part of a subsidiary | (212,526) | - |
| Dividends revenue | (18,009) | (23,240) |
| Operating (loss)/ profit before changes in working capital | (2,591) | 760 |
| Changes in working capital | | |
| Other assets | (131,667) | 4,303 |
| Due from related parties | (424,890) | - |
| Amounts due to policyholders | 384,096 | 1,439,777 |
| Other liabilities | (30,017) | (10,009) |
| Net cash (used in)/ generated from operating activities | (205,069) | 1,434,831 |
| Investing activities | | |
| Proceeds from sale of financial assets at fair value through profit or loss | 2,793,734 | - |
| Purchase of financial assets at fair value through profit or loss | (3,452,718) | - |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 501,022 | 39,394 |
| Purchase of financial assets at fair value through other comprehensive income | - | (59,831) |
| Term deposits | (1,030,000) | - |
| Proceeds from sale of subsidiary | 200,000 | - |
| Gains from term deposits received | 51,866 | 21,944 |
| Payment due from acquisition of subsidiary | - | (170,000) |
| Purchase of property, plant and equipment | (19,176) | (61,847) |
| Cash dividends received | 18,009 | 23,240 |
| Net cash used in investing activities | (937,263) | (207,100) |
| Cash disposed due to loss of control over a subsidiary | (28,127) | - |
| Net (decrease)/ increase in cash and cash equivalents | (1,142,332) | 1,227,731 |
| Cash and cash equivalents at the beginning of the year | 1,268,289 | 40,558 |
| Cash and cash equivalents at the end of the year | 4 97,830 | 1,268,289 |

The accompanying notes are an integral part of these consolidated financial statements

1 Incorporation and activities

Burgan Takaful Insurance the ("Parent Company") is a Kuwaiti Shareholding Company (Closed) that was incorporated on 9 April 2006 vide memorandum of association No. 2368/1. The Group is registered in the commercial registry on 11 April 2006 under No. 113435.

Pursuant to the resolution of the extraordinary General Assembly held on 24 October 2019, it was approved to amend Article (2) of the Memorandum of Association and Article (1) of the Articles of Association to amend the name of the parent company to become "Burgan Takaful Insurance Company - Kuwaiti Shareholding Company (Closed)." Instead of "Ain Takaful Insurance Company - Kuwaiti Shareholding Company (Closed)". This amendment was endorsed in the commercial registry on 10 November 2019.

The parent company's main activities are:

Practicing all Takaful, Cooperative and Reinsurance activities in all their forms except life insurance. Carrying out all actions that directly or indirectly lead to achieving the goals and objectives of the parent group in accordance with the provisions of Islamic Sharia and in a manner that does not conflict with the provisions of the law.

Investing the funds collected from the insured, surpluses and reserves, and adding the net investment returns for their benefit after deducting a share of these returns for the benefit of the group's administrative bodies in exchange for sponsoring the aforementioned funds and supervising their investment with companies and specialized financial entities in accordance with the laws and regulating decisions and not in conflict with the provisions of Sharia.

Providing consultations and carrying out technical studies in the field of insurance or reinsurance to companies or other entities directly interested in working in the field of insurance or reinsurance in accordance with the bylaws of the parent company.

Participating in any way with bodies, companies or institutions that carry out work similar to its work or cooperating with it in achieving its objectives anywhere, whether inside or outside Kuwait.

Using the financial surpluses available to a company by investing them in financial portfolios managed by companies and specialized financial entities in accordance with regulating laws and decisions and not in conflict with the provisions of Islamic Sharia.

Carrying out all transactions, concluding all contracts, and carrying out all legal actions that it deems appropriate and necessary under the conditions that achieve its purposes and in a manner that does not conflict with the provisions of Islamic Sharia.

To merge with it, establish or participate in establishing companies, subscribing to their shares, buying and selling shares of companies, and supporting them in any way consistent with the objectives of the group in accordance with the applicable laws in force, and in a manner that does not conflict with the provisions of Islamic Sharia.

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

1 Incorporation and activities (continued)

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

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

The address of the parent company is: Sharq, Block 15, Floor No. 26, P.O.763 Safat, Postal Code 15458, Kuwait.

The total number of employees at 31 December 2024 was 66 (2023: 64).

The consolidated financial statements of the Group for the year ended 31 December 2024 were authorized for issue on 20 March 2025 by the Parent Company's Board of Directors. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general meeting.

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for financial assets at fair value through other comprehensive income which are stated at fair value.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the group.

2.4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, as described in note 3, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Judgments

In the process of applying the group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

2 Basis of preparation (continued)

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

Classification of financial assets

On acquisition of financial assets, management decides whether it should be classified as financial assets carried at fair value through profit or loss or financial assets at fair value through other comprehensive income or as loans and receivables

Estimation uncertainty and assumptions

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

Insurance and reinsurance contracts

The Group applies a premium allocation approach to simplify the measurement of insurance contracts. When measuring remaining hedge liabilities, the premium allocation approach is broadly similar to the Group's previous accounting treatment under IFRS 4, however, when measuring liabilities associated with claims incurred, the Group discounts cash flows that are expected to occur more than one year later. One is from the date on which the claims are incurred and includes an explicit adjustment for non-financial risks.

Remaining coverage obligation

For insurance acquisition cash flows, the Group qualifies and elects to recognize the payments as an expense immediately (covered period of year or less) for all cash flows of the acquisition except commission expense, which is capitalized.

The effect of recognizing insurance acquisition cash flows as an expense on initial recognition of a group of insurance contracts is an increase in the cost liability on the income statement on initial recognition, due to the acquisition cash flow expense, offset by an increase in recognized earnings during the coverage period. For infeasible contract groups, the remaining coverage obligation is determined by fulfillment cash flows.

Impairment losses on insurance receivables balances

It is assessed whether there is a significant increase in the credit risk of financial assets from what has been identified since the initial report and submission of future information regarding measuring the risk of expected credit losses. The Group considers a financial asset to be in default when:

- It is unlikely that the debtor will repay its credit obligations to the Group in full, without the Group resorting to the use of necessary legal procedures such as the disposition of collateral (if the debts in question are collateralized by the Group), or
- There will be a delay in payment of any amount due for more than 90 days.

When determining whether there is a significant increase in the credit risk of a financial asset from what has been identified since the initial report and while providing estimates of expected credit losses, the Group considers information that is reasonable, supportable and relevant and can be obtained without excessive effort or cost. This information includes quantitative and qualitative data and analyzes based on the Group's historical experiences and informed credit assessments, including forward-looking information.

3 Summary of material accounting policies

The principal accounting policies applied by the Group are consistent with those used in the year ended 31 December 2023 except for the changes due to implementation of the following new and amended IFRSs that have been effective for the year ended 31 December 2024.

3.1 New and amended IFRSs that have been applied in the current year

The Group has applied amendments to IFRSs that are mandatorily effective for an annual accounting period that begins on or after 1 January 2024.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are 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 covenant 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 to the counterparty of cash, equity instruments, other assets or services.

The adaption of this standard had no impact on the Group’s financial statement.

Amendments to IAS 1 Presentation of Financial Statements— Classification of Liabilities with covenant

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

The adaption of this standard had no impact on the Group’s financial statement.

IAS 16 Amendments - Leases

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

The adaption of this standard had no impact on the Group’s financial statement.

3 Summary of material accounting policies (continued)

3.1 New and amended IFRSs that have been applied in the current year (continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities, cash flows and exposure to the liquidity risk.

The adaption of this standard had no impact on the Group's financial statement.

3.2 Standards and amendments issued but not yet effective

The following amended standards, which apply to future financial periods beginning after the reporting date, were not applied early in the preparation of these financial statements.

Amendments to IAS 21 - Lack of Exchangeability

The International Accounting Standards Board has amended IAS 21 to add requirements to help specify how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not. The amendment sets a framework within which the spot exchange rate at the measurement date can be determined using an unobservable exchange rate or any other estimation

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2025, with early application permitted.

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

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

The IASB has amended IFRS 9 to clarify that financial assets with ESG-related features can qualify for the "solely payments of principal and interest" (SPPI) criterion, as long as their cash flows are not significantly different from comparable financial assets without such features. The amendments also provide guidance on when a financial asset or liability should be recognized or derecognized, ensuring consistency in financial reporting. Additionally, an exception has been introduced for financial liabilities settled through electronic payment systems, clarifying how these transactions should be accounted for.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2026, with early application permitted.

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

3 Summary of material accounting policies (continued)
3.2 Standards and amendments issued but not yet effective (continued)

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

The amendments clarify that when an investor sells or contributes assets to an associate or joint venture, the recognition of gain or loss depends on whether the assets constitute a business as defined in IFRS 3 – Business Combinations. If the assets do not constitute a business, the gain or loss is recognized only to the extent of the investor’s retained interest in the associate or joint venture. However, if the assets constitute a business, the gain or loss is recognized in full. These changes ensure consistency in financial reporting and reflect the economic substance of the transaction.

The implementation of these amendments has been postponed indefinitely. Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 introduces guidance on the classification of items in the statement of profit or loss, categorizing them into five key sections: operating, investing, financing, income taxes, and discontinued operations. These categories aim to provide a clearer structure for financial performance reporting and align with management-determined performance measures. The amendments require that totals, subtotals, and line items in interim financial statements and accompanying notes be clearly described to reflect their economic characteristics. Additionally, foreign currency differences must be classified within the same category as the revenue or expenses that caused them, ensuring greater transparency in financial reporting.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2027, with early application permitted.

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

IFRS 19 – Reducing Subsidiary Disclosures

IFRS 19 allows eligible subsidiaries to apply IFRS standards with reduced disclosure requirements, simplifying financial reporting for subsidiaries that meet specific criteria. A subsidiary may choose to adopt IFRS 19 in its consolidated, separate, or individual financial statements, provided that it does not have public accountability at the reporting date. This means that only subsidiaries whose parent company prepares consolidated financial statements under IFRS can take advantage of these reduced disclosure requirements.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2027, with early application permitted.

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

3 Summary of material accounting policies (continued)

3.3 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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 profit or loss) 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 recognised immediately in profit or loss.

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

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

Non-derivative financial assets

Classification and Measurement of Financial assets

Upon initial recognition financial assets are classified into the following categories:

- Financial assets carried at amortised cost.
- Financial assets carried at fair value through other consolidated comprehensive income (FVOCI).
- Financial assets carried at fair value through other consolidated profit or loss (FVTPL).

Financial assets carried at amortised cost:

A financial asset is carried at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding. Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective yield method.

Profit or income on the principal amount, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of profit or loss.

The Group's financial assets carried at amortised cost comprise 'Qard Hassan to policyholders', 'cash and cash equivalents', 'other assets', 'insurance contract assets' and 'reinsurance contract assets' in the statement of financial position.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified as "other assets" and "cash and cash equivalents" in the statement of financial position.

3 Summary of material accounting policies (continued)

3.3 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Financial assets carried at fair value through other comprehensive income (FVOCI):

(i) Debt Securities at FVOCI

A debt investment is carried at FVOCI if it meets both of the following conditions:

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

(ii) Equity investments at FVOCI

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the fair value reserve as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of profit or loss. Dividend income on equity investments at FVOCI are recognised in the consolidated statement of profit or loss unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

(iii) Financial assets carried at fair value through profit or loss

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and profit are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss. Profit income is recognised using the effective yield method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss when the right to the payment has been established.

3 Summary of material accounting policies (continued)

3.3 Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows 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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises 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 recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the fair valuation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair valuation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instrument. The group classifies all its non-derivative financial liabilities as 'other liabilities', 'insurance contract liabilities' and 'reinsurance contract liabilities'. Financial liabilities are recognised initially at fair value less any directly attributable transactions costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Accounts and other payable

Accounts and other payable are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair value of financial instruments

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

3 Summary of material accounting policies (continued)

3.3 Financial instruments (continued)

Fair value of financial instruments (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. The fair value of interest bearing financial instruments is estimated based on discounted cash flows using profit rates for items with similar terms and risk characteristics.

Offsetting of financial instruments

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

Impairment and uncollectability of financial assets

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments (financial assets at amortised cost) not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

With bank balances, the Group believes that they have low credit risks because deposited in banks with high quality credit rating. The provision of expected credit loss is based on 12 months which is immaterial for the Group.

With due from related parties, the company measures the impairment based on the ECLs over the lifetime of the instrument. The company believes that these balances have low credit risks based on the past experience and available information.

3.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the statement of comprehensive income. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

3 Summary of material accounting policies (continued)

3.4 Impairment of non-financial assets (continued)

In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

3.5 Insurance and reinsurance contracts

Definition and classification:

Insurance contracts are contracts under which the Group (the issuer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Reinsurance contract refers to an insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying insurance contracts).

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

The Group undertakes the following products:

General insurance for individuals and companies. General insurance services include, but are not limited to, property, marine insurance, personal accidents, and comprehensive car insurance. These services provide protection for the policyholder's assets and compensate third parties who have suffered damages as a result of an incident involving the policyholder.

The Group also issues reinsurance contracts in the ordinary course of business to compensate other companies for claims arising from one or more insurance contracts issued by those entities.

Presentation and disclosure

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

- Groups of Takaful and reinsurance contracts issued that are assets;
 - Groups of Takaful and reinsurance contracts issued that are liabilities;
 - Groups of reinsurance contracts held that are assets; and
 - Groups of reinsurance contracts held that are liabilities.
- The groups referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

3 Summary of material accounting policies (continued)

3.5 Insurance and reinsurance contracts (continued)

Presentation and disclosure (continued)

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

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

Instead, IFRS 17 requires separate presentation of:

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

The Group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from takaful contracts.
- Significant judgements, and changes in those judgements, when applying the standard.

Classification of insurance and reinsurance contracts

The Group issues insurance contracts in the ordinary course of business, under which it accepts significant insurance risk from its policyholders. As a general guide, the Group determines whether it has significant insurance risk by comparing the benefits payable for an insured event with the benefits payable in the event that it does not occur. Insurance contracts can also transfer financial risks.

Separating components from Takaful and reinsurance contracts

The Group assesses its takaful products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17.

Some reinsurance contracts issued contain profit commission arrangements. Under such arrangements, there is a minimum guaranteed amount that the policyholder will always receive - either in the form of a profit commission or as a claims or other contractual payment regardless of the occurrence of the insured event. The minimum amounts guaranteed were assessed to be largely related to the insurance component of the reinsurance contracts and therefore are undistinguished investment components that are not accounted for separately.

3 Summary of material accounting policies (continued)

3.5 Insurance and reinsurance contracts (continued)

Level of aggregation

The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into two categories: onerous contracts and others. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator.

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

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

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

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that does not have a significant likelihood of becoming onerous after initial recognition.
- A group of the remaining contracts in the portfolio (if any)

The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Historical information
- Results of similar contracts it has recognised
- Environmental factors, e.g. a change in market experience or regulations

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

The parent company's insurance portfolio consists of:

- Fire insurance
- Marine insurance
- General accident insurance
- Compulsory car insurance ("Third party" insurance)
- Comprehensive vehicle insurance

3 Summary of material accounting policies (continued)

3.5 Insurance and reinsurance contracts (continued)

Recognition and Derecognition

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

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

The Group recognises a group of reinsurance contracts held:

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

Contract boundary

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

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

Both of the following criteria are satisfied:

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

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

Takaful contracts - initial measurement

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

- The coverage period of each contract in the group is one year or less, including coverage arising from all contributions within the contract boundary.
- If the Group reasonably expects that the premium allocation approach will result in a measurement of the remaining coverage obligations for a group of insurance contracts that will not be materially different from the measurement achieved by applying the general measurement model.

3 Summary of material accounting policies (continued)

3.5 Insurance and reinsurance contracts (continued)

Takaful contracts - initial measurement (continued)

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

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

Takaful contracts — subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

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

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

Subsequent measurement of reinsurance contracts

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

Takaful contracts - modification and derecognition

The Group derecognises takaful contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or

3 Summary of material accounting policies (continued)

3.5 Insurance and reinsurance contracts (continued)

Takaful contracts - modification and derecognition (continued)

- Requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

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

Presentation of insurance contracts

Presentation in the statement of financial position

Portfolios of insurance contracts that are assets or liabilities, as well as reinsurance contracts that are assets or liabilities, are presented separately in the statement of financial position. Any assets and liabilities recognized for cash flows arising before the recognition of the related contract portfolio (including any cash flow assets for insurance contract acquisitions) are recognized in the carrying amount of the related contract portfolios.

Presentation in the statement of income

The result of insurance services, which includes insurance revenues and insurance services expenses. Insurance financing income or expenses.

Takaful revenue

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

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

Loss components

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

Net income or expense from reinsurance contracts held

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

3 Summary of material accounting policies (continued)

3.5 Insurance and reinsurance contracts (continued)

Discount rate

Discounting adjusts estimates of expected cash flows to reflect the time value of money and the financial risks associated with those cash flows.

Upon initial recognition of each group of contracts, the Group expects the period of time between the date of provision of each part of the services and the due date of the premium related to those services to be no more than one year. Accordingly, the Group has decided not to adjust the Covered Period Commitment (LRC) to reflect the time value of money and the impact of financial risks.

The discount relates to the following:

- Incurred Claims Liabilities (LIC) to the extent that LICs are scheduled to adjust at intervals exceeding 12 months.
- Quantifying the loss components of the set of contracts expected to be lost.

Determination of the discount rate

The Group uses the bottom-up approach in determining the discount rate based on the liquidity risk-free yield curve.

Adjusting risks associated with non-financial risks

Risk adjustment conveys information to users of financial statements about the amounts the Group incurs in assuming non-financial risks arising from uncertainties regarding the amount and timing of cash flows.

The risk adjustment relates to the liability for claims incurred and the estimate of loss components that relate to groups of contracts expected to be lost.

The risk adjustment for the incurred claims liability will be estimated using a bottom-up approach, with uncertainty for each portfolio estimated using stochastic actuarial methods.

3.6 Property and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property and equipment.

Depreciation on property and equipment is computed using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives as 3 to 10 years.

3 Summary of material accounting policies (continued)

3.6 Property and equipment

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

3.7 Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.8 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including special purpose entities) controlled by the Parent Company. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

**Burgan Takaful Insurance Company
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Notes to the Consolidated Financial Statements for the year ended 31 December 2024

3 Summary of material accounting policies (continued)

3.8 Basis of consolidation (continued)

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. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.

The financial statements of the following subsidiary are included in the consolidated financial statements :

| Name of subsidiary | Country | % of ownership | |
|--|----------------|-----------------------|-------------|
| | | 2024 | 2023 |
| Super Service Car Inspection Co. K.S.C.C* | Kuwait | - | 100% |
| Burgan Holding Company for Holding Companies | | 100% | - |

* During the current financial year, 2,750,000 shares, representing 55% of the total 5,000,000 shares owned by the Parent Company, were sold. The remaining portion of the investment has been accounted as an investment in an associate (Notes 8 and 14).

** During the current financial year, the Parent Company established Burgan Holding Company for Holding Companies Activities with a share capital of KD 100,000.

3.9 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognised in profit or loss as

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, assets or liabilities related to employee benefit arrangements, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

3 Summary of material accounting policies (continued)

3.9 Business combinations (continued)

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 profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IFRS9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not be remeasured and subsequent settlement is accounted for within equity.

3.10 Investment in an associate

Associates are entities over which the Group has significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Goodwill or fair value adjustments relating to the Group's share in the associate are not recognized separately but are included within the investment amount in associates.

When applying the equity method, the carrying amount of the investment in the associate is increased or decreased by the Group's share of the associate's profit or loss or other comprehensive income, after making the necessary adjustments to align the accounting policies of the associate with those of the Group.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. When unrealized losses are eliminated, the related assets are tested for impairment to ensure there is no impairment.

The Group's share of the associate's results is presented in the statement of profit or loss. This share represents the return attributable to the Group's equity holders and is therefore considered profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates between the Group and its associates does not exceed three months. Adjustments are made for significant transactions or events occurring between the associate's reporting date and the Group's reporting date to ensure that the financial statements reflect similar accounting policies for such transactions or events.

After applying the equity method, the Group assesses whether it is necessary to recognize any additional impairment loss on its investment in an associate. At each reporting date, the Group evaluates whether there is objective evidence of impairment in the value of its investment in the associate. If such evidence exists, the Group calculates the impairment amount as the difference between the associate's recoverable amount and its carrying value, and recognizes this amount within the Group's share of the associate's results in the consolidated statement of profit or loss.

When the Group loses significant influence over an associate, it measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate at the date significant influence is lost and the fair value of the retained investment or the proceeds received upon derecognition is recognized in the consolidated statement of profit or loss.

3 Summary of material accounting policies (continued)

3.11 Qard Hasan to policyholders

Qard Hasan 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.

3.12 Reinsurance

To reduce exposure to financial risks resulting from large insurance claims, the Group enters into agreements with third parties for the purpose of reinsurance. Compensation due from reinsurers is estimated in a manner consistent with the indemnity obligation and in accordance with the reinsurance contract. These amounts appear as "balances recovered from reinsurers on outstanding compensation" in "assets, liabilities and policyholders' equity".

Reinsurance of policies or the assumption of their contribution is deducted from the total subscribed subscriptions to arrive at the net subscribed subscriptions.

The Group assesses at each statement of financial position date whether there is an indication that the value of the reinsurance asset is impaired. If such an indicator appears, the group makes an official estimate of the recoverable amount. If the book value of the reinsurance asset exceeds the recoverable amount of the asset, the asset is considered impaired and is written down to its recoverable value. The ceded reinsurance arrangements do not relieve the Group of its obligations to policyholders.

3.13 Testing the adequacy of liabilities

At the end of each financial year, the Group applies liability adequacy tests to verify the adequacy of insurance contract claims. This includes comparing current estimates of all contractual cash flows attached to these claims with their book values. If the evaluation shows that the book value of insurance obligations (less the costs of holding related deferred policies) is not sufficient in light of estimated future flows. The deficit is realized completely and immediately, and an allowance is made for the resulting losses. The Group does not discount its unpaid compensation liability as it is expected that all requirements will be paid essentially within one year from the date of the consolidated statement of financial position.

3.14 Employees end of service benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the employees' contracts based on their accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

3.15 Revenue recognition

Revenue is measured when the following specific recognition criteria are met before the Group's revenue is recognised.

Dividends

Dividends are recognized when the right to receive them is established.

3 Summary of material accounting policies (continued)

3.15 Revenue recognition (continued)

Interest income

Interest income is calculated on a time basis, by reference to the principal amount outstanding and the applicable effective interest rate, which is the rate that discounts expected future cash receipts through the expected life of the financial asset to the net carrying amount of that asset on initial recognition.

3.16 Kuwait Foundation for the Advancement of Sciences (KFAS)

The parent company calculates the contribution to the Kuwait Foundation for the Advancement of Sciences at 1% of the profit after deducting profit from K.S.C associates, transfer to statutory reserve and accumulated losses brought forward.

3.17 Zakat

Contribution to Zakat is calculated at 1% of the profit in accordance with the Ministry of Finance resolution No. 58/2007.

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| 4) Cash and cash equivalents | 2024 | 2023 |
|-------------------------------------|---------------|------------------|
| | KD | KD |
| Cash on hand | - | 1,244 |
| Cash at banks | 76,141 | 1,247,979 |
| Cash in investment portfolios | 21,689 | 19,066 |
| | 97,830 | 1,268,289 |

5) Term deposits

In accordance with the requirements of Kuwaiti law, term deposits represent amounts deposited as security with a local financial institution in exchange for subscription to general insurance activity. The average profit rate earned on these deposits was approximately 3.875% : 4.75% (2023: 4.5%).

Term deposits have a maturity of more than 3 months and less than 1 year from the date of deposit.

| 6) Financial assets at fair value through profit or loss | 2024 | 2023 |
|---|----------------|-------------|
| | KD | KD |
| Managed local portfolios | 658,765 | - |
| | 658,765 | - |

Financial assets were valued at fair value through profit or loss in accordance with the valuation methods disclosed in note (18).

The movement on financial assets at fair value through profit or loss:

| | 2024 | 2023 |
|----------------------------|--------------------|-------------|
| | KD | KD |
| Additions | 3,452,718 | - |
| Disposals | (2,803,590) | - |
| Change in fair value | 9,637 | - |
| Balance at end of the year | 658,765 | - |

| 7) Financial assets at fair value through other comprehensive income | 2024 | 2023 |
|---|----------------|------------------|
| | KD | KD |
| Quoted local shares | 382,202 | 344,208 |
| Unquoted local shares | 80,209 | 80,197 |
| Unquoted foreign shares | 160,133 | 160,133 |
| Managed local portfolios | - | 416,064 |
| | 622,544 | 1,000,602 |

Financial assets were valued at fair value through other comprehensive income in accordance with the valuation methods disclosed in note (18).

The movement on financial assets at fair value through other comprehensive income:

| | 2024 | 2023 |
|----------------------------------|------------------|------------------|
| | KD | KD |
| Balance at beginning of the year | 1,000,602 | 1,077,128 |
| Additions | - | 59,831 |
| Disposals | (501,022) | (46,524) |
| Change in fair value | 122,964 | (89,833) |
| Balance at end of the year | 622,544 | 1,000,602 |

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8) Investment in an associate

The movement on investment in an associate:

| | 2024 | 2023 |
|--|----------------|----------|
| | KD | KD |
| Transfer from disposal of a subsidiary (note 14) | 327,273 | - |
| Share of results | 48,531 | - |
| Balance at end of the year | <u>375,804</u> | <u>-</u> |

9) Qard Hassan to policyholders

The movement on Qard Hassan to policyholders is as follows:

| | 2024 | 2023 |
|---|------------------|------------------|
| | KD | KD |
| Balance at beginning of the year | 3,021,097 | 3,322,000 |
| Impact of adoption of IFRS 9 at 1 January 2023 | - | 200,450 |
| Net surplus from insurance operations (note 16) | (149,965) | (501,353) |
| Balance at end of the year | <u>2,871,132</u> | <u>3,021,097</u> |

10) Share capital

The authorized, issued and fully paid up share capital of the company is KD 5,250,000 (2023: KD 5,250,000) divided into 52,500,000 shares (2023: 52,500,000 shares) of 100 fils each, all shares are paid in cash.

11) Statutory reserve

As required by the Companies Law No. 1 of 2016 and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. The Transfer to statutory reserve is discontinued due the group's accumulated losses.

12) Amounts due to policyholders

| | 2024 | 2023 |
|---|------------------|------------------|
| | KD | KD |
| Balance at beginning of the year | 1,738,328 | 599,454 |
| Impact of adoption of IFRS 9 at 1 January 2023 | - | 200,450 |
| Net (surplus) from insurance operations (note 16) | (149,965) | (501,353) |
| Amounts paid to shareholders | 384,096 | 1,439,777 |
| Balance at end of the year | <u>1,972,459</u> | <u>1,738,328</u> |

13) Related party transactions

Related parties are major shareholders, key management personnel, and companies in which major shareholders own significant interests or over which they can exercise significant influence. The pricing policies and terms of these transactions are approved by the group's management. These transactions are subject to the approval of the general assembly of shareholders of the parent company.

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13) Related party transactions (continued)

The balances of transactions with related parties at the end of the year are as follows:

| | 2024 | 2023 |
|--|----------------|----------|
| | KD | KD |
| Shareholders | | |
| Items in consolidated statement of financial position | | |
| Super Service Car Inspection Co. - K.S.C. (closed) (associate company) | 661,141 | - |
| | <u>661,141</u> | <u>-</u> |
| Items in statement of income | | |
| Staff's salaries and benefits | - | 6,000 |
| Results of policyholders | | |
| Written subscriptions | 13,602 | 5,255 |
| Staff's salaries and benefits | 225,971 | 306,000 |
| Due from related parties - subscription receivables | 29,105 | 29,692 |
| Due from related parties - other assets | - | 33,265 |

14) Discontinued Operations

During the current financial year, the Parent Company signed an agreement with a party to sell 2,750,000 shares, representing 55% of its total shares of 5,000,000 share in Super Service Car Inspection Company (K.S.C. Closed) (the "Subsidiary"), for a total consideration of KD 400,000.

The net assets of the subsidiary were derecognized based on their carrying amounts. Below are the financial data details of the derecognized subsidiary as of the date of disposal:

| | 30 June 2024 |
|--|----------------|
| | KD |
| Assets | |
| Property and equipment (net) | 226,333 |
| Intangible assets (net) | 124,950 |
| Accounts and other receivable (net) | 130,578 |
| Cash and cash equivalents | 28,127 |
| Total disposed assets (1) | <u>509,988</u> |
| Total disposed liabilities (2) | <u>236,251</u> |
| Disposed goodwill (3) | <u>241,010</u> |
| Net disposed assets (1-2+3) (A) | <u>514,747</u> |
| Proceeds from sale receivable (B) | 400,000 |
| Net fair value of assets reclassified as an associate (C) | 327,273 |
| Gain on loss of control over the subsidiary (B + C – A) | <u>212,526</u> |

Financial performance and cash flows

The net profit from discontinued operations for the periods ended 31 December 2024 and 31 December 2023 is as follows:

| | 2024 | 2023 |
|---|----------------|-----------------|
| | KD | KD |
| Revenue | 138,047 | 287,134 |
| Expenses | (150,809) | (320,724) |
| Gain on loss of control over subsidiary | 212,526 | - |
| Net profit / (loss) from discontinued operations | <u>199,764</u> | <u>(33,590)</u> |

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14) Discontinued Operations (continued)

| | 2024 | 2023 |
|--|-----------------|-----------------|
| | KD | KD |
| Net cash (used in) / generated from operating activities | (1,920) | 9,808 |
| Net cash used in investing activities | (19,176) | (61,847) |
| Net cash used in discontinued operations | (21,096) | (52,039) |

15) Earnings per share (fils)

Earnings per share is computed by dividing profit for the year by the weighted average number of shares outstanding at the reporting date as follows:

| | 2024 | 2023 |
|---|------------|------------|
| | KD | KD |
| Net profit for the year (KD) | 306,385 | 5,425 |
| Weighted average for number of shares outstanding | 52,500,000 | 52,500,000 |
| Earning per share (fils) | 5.84 | 0.10 |

16) Results of policyholders as per business sector and funds

Statement of policyholders' assets, liabilities and equity

| | | 2024 | 2023 |
|--|-------------|------------------|------------------|
| | | KD | KD |
| Assets | Note | | |
| Bank balances and cash | | 337,566 | 699,610 |
| Term deposits | | 2,605,508 | 2,628,485 |
| Reinsurance contract assets | 16.2 | 46,512 | 49,685 |
| Other assets | | 1,849,953 | 1,969,663 |
| Financial assets at fair value through OCI | | 436,566 | 250,000 |
| Amounts due from shareholders | | 1,972,459 | 1,738,328 |
| Furniture and equipment | | 107,942 | 16,130 |
| Total assets | | 7,356,506 | 7,351,901 |
| Policyholders' liabilities and equity | | | |
| Liabilities | | | |
| Insurance contract liabilities | 16.1 | 6,430,654 | 6,757,689 |
| Other liabilities | | 739,286 | 594,212 |
| Total liabilities | | 7,169,940 | 7,351,901 |
| Policyholders' equity | | | |
| Net deficit from insurance operations | | (2,871,132) | (3,021,097) |
| Qard Hasan from shareholders | 9 | 2,871,132 | 3,021,097 |
| Changes in fair value reserve | | 186,566 | - |
| Total policyholders' equity | | 186,566 | - |
| Total policyholders' liabilities and equity | | 7,356,506 | 7,351,901 |
| Change in Qard Hasan from shareholders | | | |
| Balance at beginning of the year | | 3,021,097 | 3,322,000 |
| Impact of adopting IFRS 9 at 1 January 2023 | | - | 200,450 |
| Net (surplus)/ deficit from insurance operations | | (149,965) | (501,353) |
| Balance at end of the year | | 2,871,132 | 3,021,097 |

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16) Results of policyholders as per business sector and funds (continued)

Statement of takaful policyholders' operations as follows:

| Revenue | Note | 2024 KD | 2023 KD |
|---|-------------|--------------------|--------------------|
| Takaful insurance revenue | 16.1 | 6,760,527 | 5,836,759 |
| Takaful insurance service expenses | 16.1 | (6,248,800) | (4,464,684) |
| Results of insurance service before held reinsurance contracts | | 511,727 | 1,372,075 |
| Net expenses from held reinsurance contracts | 16.2 | (319,582) | (923,996) |
| Results of takaful insurance service | | 192,145 | 448,079 |
| Cost of finance for insurance contracts | 16.1 | (61,272) | (29,393) |
| Cost of finance for reinsurance contracts | 16.2 | 18,990 | 15,543 |
| Total profit for takaful insurance activity | | 149,863 | 434,229 |
| Term deposit revenues | | 131,155 | 104,230 |
| Undistributed general and administrative expenses | | (131,053) | (37,106) |
| Net surplus from insurance operations | | 149,965 | 501,353 |
| Other comprehensive income: | | | |
| <i>Items will not be reclassified to statement of income in subsequent periods:</i> | | | |
| Cumulative changes in fair value of financial assets at fair value through other comprehensive income | | 186,566 | - |
| Total comprehensive income for the year | | 336,531 | 501,353 |

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16) Results of policyholders as per business sector and funds (continued)

16.1 Insurance contracts' assets/ liabilities

31 December 2024

| | Remaining covering liability | | Incurred claims liability | | Total KD |
|---|---------------------------------------|-------------------------|---|---------------------------|------------------|
| | Except for loss component KD | Loss component KD | Estimation of current value for future cash flows KD | Risk adjustments KD | |
| Insurance contracts liabilities at 1 January 2024 | 4,451,117 | 255,565 | 1,962,365 | 88,642 | 6,757,689 |
| Insurance contracts assets at 1 January 2024 | - | - | - | - | - |
| Net insurance contracts liabilities at 1 January 2024 | 4,451,117 | 255,565 | 1,962,365 | 88,642 | 6,757,689 |
| Insurance revenue | (6,760,527) | - | - | - | (6,760,527) |
| Compensations incurred and other direct expenses | 1,760,090 | - | 4,604,551 | 88,700 | 6,453,341 |
| Changes relating to previous services -adjustments to incurred claims liabilities | - | - | (619,050) | (102,056) | (721,106) |
| Loss on onerous contracts | - | 516,565 | - | - | 516,565 |
| Total insurance expenses | 1,760,090 | 516,565 | 3,985,501 | (13,356) | 6,248,800 |
| Results of insurance service | (5,000,437) | 516,565 | 3,985,501 | (13,356) | (511,727) |
| Revenue from financing of insurance contracts | - | - | 57,142 | 4,130 | 61,272 |
| Gross profit for insurance activity | (5,000,437) | 516,565 | 4,042,643 | (9,226) | (450,455) |
| Cashflows | | | | | |
| Installments received | 6,881,678 | - | - | - | 6,881,678 |
| Liabilities incurred and other direct expenses paid | - | - | (4,998,168) | - | (4,998,168) |
| Cost of insurance acquisition paid | (1,760,090) | - | - | - | (1,760,090) |
| Total cashflows | 5,121,588 | - | (4,998,168) | - | 123,420 |
| Insurance contract liabilities at 31 December 2024 | 4,572,268 | 772,130 | 1,006,840 | 79,416 | 6,430,654 |
| Insurance contract assets at 31 December 2024 | - | - | - | - | - |
| Net insurance contracts at 31 December 2024 | 4,572,268 | 772,130 | 1,006,840 | 79,416 | 6,430,654 |

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16) Results of policyholders as per business sector and funds (continued)

16.1 Insurance contracts' assets/ liabilities

| 31 December 2023 | Remaining covering liability | | Incurred claims liability | | Total KD |
|---|---------------------------------------|----------------------|---|---------------------------|-------------|
| | Except for loss component KD | Loss component KD | Estimation of current value for future cash flows KD | Risk adjustments KD | |
| Insurance contracts liabilities at 1 January 2023 | 1,140,838 | 36,803 | 1,057,430 | 41,244 | 2,276,315 |
| Insurance contracts assets at 1 January 2023 | - | - | - | - | - |
| Net insurance contracts liabilities at 1 January 2023 | 1,140,838 | 36,803 | 1,057,430 | 41,244 | 2,276,315 |
| Impact of adopting IFRS9 at 1 January 2023 | 200,450 | - | - | - | 200,450 |
| Net insurance contracts liabilities at 1 January 2023 after adoption of IFRS | 200,450 | - | - | - | 200,450 |
| Insurance revenue | (5,836,759) | - | - | - | (5,836,759) |
| Compensations incurred and other direct expenses | 1,748,444 | - | 2,887,465 | 58,400 | 4,694,309 |
| Changes relating to previous services -adjustments to incurred claims liabilities | - | - | (436,386) | (12,001) | (448,387) |
| Loss on onerous contracts | - | 218,762 | - | - | 218,762 |
| Total insurance expenses | 1,748,444 | 218,762 | 2,451,079 | 46,399 | 4,464,684 |
| Results of insurance service | (4,088,315) | 218,762 | 2,451,079 | 46,399 | (1,372,075) |
| Revenue from financing of insurance contracts | - | - | 28,394 | 999 | 29,393 |
| Gross profit for insurance activity | (4,088,315) | 218,762 | 2,479,473 | 47,398 | (1,342,682) |
| Cashflows | | | | | |
| Installments received | 8,946,588 | - | - | - | 8,946,588 |
| Liabilities incurred and other direct expenses paid | - | - | (1,574,538) | - | (1,574,538) |
| Cost of insurance acquisition paid | (1,748,444) | - | - | - | (1,748,444) |
| Total cashflows | 7,198,144 | - | (1,574,538) | - | 5,623,606 |
| Insurance contract liabilities at 31 December 2023 | 4,451,117 | 255,565 | 1,962,365 | 88,642 | 6,757,689 |
| Insurance contract assets at 31 December 2023 | - | - | - | - | - |
| Net insurance contracts at 31 December 2023 | 4,451,117 | 255,565 | 1,962,365 | 88,642 | 6,757,689 |

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16) Results of policyholders as per business sector and funds (continued)

16.2 Reinsurance contracts' assets/ liabilities

31 December 2024

| | <u>Remaining covering liability</u> | | <u>Incurred claims liability</u> | | <u>Total</u> KD |
|--|--|-----------------------------|--|-------------------------------|--------------------|
| | <u>Except for loss component</u> KD | <u>Loss component</u> KD | <u>Estimation of current value for future cash flows</u> KD | <u>Risk adjustments</u> KD | |
| Reinsurance contracts assets at 1 January 2024 | 690,663 | - | (706,022) | (34,326) | (49,685) |
| Reinsurance contracts liabilities at 1 January 2024 | - | - | - | - | - |
| Net reinsurance contracts liabilities at 1 January 2024 | 690,663 | - | (706,022) | (34,326) | (49,685) |
| Reinsurance (revenue)/ expenses | 458,733 | - | - | - | 458,733 |
| Recoverable amounts on compensations incurred and other direct expenses | (69,532) | - | (244,496) | - | (314,028) |
| Changes relating to previous services -adjustments to incurred claims liabilities | - | - | 179,266 | - | 179,266 |
| Impact of changes in unpaymet risk from the entity issued the held reinsurance contracts | - | - | - | (4,389) | (4,389) |
| Revenue from financing of reinsurance contracts | - | - | (17,327) | (1,663) | (18,990) |
| Gross (profit)/ loss for reinsurance activity | 389,201 | - | (82,557) | (6,052) | 300,592 |
| Cashflows | | | | | |
| Net costs for reinsurance paid | (475,485) | - | 108,534 | - | (366,951) |
| Cost of reinsurance received | 69,532 | - | - | - | 69,532 |
| Total cashflows | (405,953) | - | 108,534 | - | (297,419) |
| Reinsurance contract assets at 31 December 2024 | 673,911 | - | (680,045) | (40,378) | (46,512) |
| Reinsurance contract liabilities at 31 December 2024 | - | - | - | - | - |
| Net reinsurance contracts at 31 December 2024 | 673,911 | - | (680,045) | (40,378) | (46,512) |

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16) Results of policyholders as per business sector and funds (continued)

16.2 Reinsurance contracts' assets/ liabilities (continued)

| 31 December 2023 | Remaining covering liability | | Incurred claims liability | | Total KD |
|---|---------------------------------------|----------------------|---|---------------------------|-------------|
| | Except for loss component KD | Loss component KD | Estimation of current value for future cash flows KD | Risk adjustments KD | |
| Reinsurance contracts assets at 1 January 2023 | (194,796) | (26,108) | (1,122,630) | (10,002) | (1,353,536) |
| Reinsurance contracts liabilities at 1 January 2023 | 809,153 | - | - | - | 809,153 |
| Net reinsurance contracts liabilities at 1 January 2023 | 614,357 | (26,108) | (1,122,630) | (10,002) | (544,383) |
| Reinsurance (revenue)/ expenses Recoverable amounts on compensations incurred and other direct expenses | 363,110 | 26,108 | - | - | 389,218 |
| Changes relating to previous services -adjustments to incurred claims liabilities | (54,849) | - | (343,607) | - | (398,456) |
| Impact of changes in unpaymet risk from the entity issued the held reinsurance contracts | - | - | 957,222 | - | 957,222 |
| Revenue from financing of reinsurance contracts | - | - | - | (23,988) | (23,988) |
| Gross (profit)/ loss for reinsurance activity | - | - | (15,207) | (336) | (15,543) |
| Cashflows | 308,261 | 26,108 | 598,408 | (24,324) | 908,453 |
| Net costs for reinsurance paid | (286,804) | - | - | - | (286,804) |
| Cost of reinsurance received | 54,849 | - | (181,800) | - | (126,951) |
| Total cashflows | (231,955) | - | (181,800) | - | (413,755) |
| Reinsurance contract assets at 31 December 2023 | 690,663 | - | (706,022) | (34,326) | (49,685) |
| Reinsurance contract liabilities at 31 December 2023 | - | - | - | - | - |
| Net reinsurance contracts at 31 December 2023 | 690,663 | - | (706,022) | (34,326) | (49,685) |

17) Risks Management

17.1) Governance Framework

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group's senior management has overall responsibility for the establishment and oversight of the Group's risk management framework and for developing and monitoring the Group's risk management policies. The Group's risk and financial management framework is to protect the Parent Company's shareholders and policyholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the importance of having efficient and effective risk management systems in place.

17.2) The regulatory framework for the insurance industry

Law No. 125 of 2019 and its executive regulations, rules, decisions, circulars, and guidelines issued by the Insurance Regulatory Unit define the regulatory framework for the insurance sector in the State of Kuwait. All insurance companies operating in Kuwait are required to adhere to these rules and regulations.

The following are the main regulations that govern the Group's operational activities:

For life insurance companies: A fixed deposit of KD 500,000 must be maintained in one or more banks operating in the State of Kuwait to guarantee the fulfillment of their insurance obligations.

For general insurance companies, a fixed deposit of KD 1,000,000 is deposited in a bank operating in the State of Kuwait.

Additionally, all insurance companies are required to maintain a provision of 20% of the gross written premiums, after excluding the reinsurance share.

17.3) Insurance risk

Insurance risk is the risk that claims due to policyholders exceed the carrying value of the insurance activities reserve. These risks are affected by the frequency and amounts of claims paid and the subsequent development of long-term claims. Therefore, the goal of insurance operations is to ensure that there are sufficient reserves to cover these liabilities. Insurance operations manage these risks by ensuring that there is sufficient reinsurance cover to limit the maximum loss payable for any single claim.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by many factors. The Group mainly subscribes to insurance against the risks of automobile accidents, general accidents, fire, and marine risks. These are considered short-term Takaful contracts, as claims are advised and settled normally within one year of the occurrence of the insured event, and this mitigates takaful risk.

17) Risks Management (continued)

17.3) Insurance risk (continued)

General insurance contracts

The Group mainly issues the following types of general insurance contracts: Marine cargo insurance, comprehensive ship insurance, third party insurance, Fire, Comprehensive Property Insurance, All Risk Construction Insurance, Machinery and Electrical Equipment Insurance, Burglary, Personal Accident, Cash on the Way, Fidelity Insurance, Glass, Workers Compensation, Third Party Insurance, and Professional Indemnity. Banking coverage, travel assistance, comprehensive car insurance, and third-party car insurance. The risks included in general insurance policies usually cover a period of twelve months.

Maritime freight

For the marine freight takaful program, the main risks are loss or damage to ships as well as accidents resulting in the partial or complete loss of the shipped goods. The group has reinsurance cover to limit the resulting losses in the event of a risk occur.

Motor

For motor accident takaful contracts, the primary risks are claims for death, bodily injury or repair of the vehicle. In recent years the group has issued comprehensive coverage policies for owner/drivers over 21 years of age. Therefore all car contracts relate to individual claims.

The level of court compensation for deaths, injured parties and vehicle replacement costs are the main factors that affect the level of claims and the Group has a reinsurance cover to limit losses for any compensation exceeding the amount of KD 25,000.

General accidents

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities. The group has reinsurance cover to limit resulted losses, if risk occurs.

Fire Accidents

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

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The group has reinsurance cover to limit resulted losses, if risk occurs.

Sources of uncertain estimates of future claim payments

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.

17) Risks Management (continued)

17.3) Insurance risk (continued)

Sources of uncertain estimates of future claim payments (continued)

The Group's management uses a significant degree of judgment to estimate the amounts due to policyholders arising from claims made under insurance contracts. These estimates are necessarily based on assumptions about several factors that involve varying and potentially significant degrees of judgment and uncertainty, and actual results may differ from management's estimates, resulting in future changes in estimated compensation. Qualitative judgment is used to evaluate the extent to which past trends may not apply in the future, for example a one-time occurrence, and changes in market factors such as the general position on a claim and economic conditions. Judgment is also used to evaluate the extent to which external factors such as court rulings and government legislation will affect estimates.

The process used in determining the assumptions for calculating the outstanding compensation reserve is intended to lead to unbiased estimates of the most likely or expected outcome. The nature of the business makes it difficult to predict with certainty the likely outcome of a claim and the ultimate cost of reported claims. Each reported claim is evaluated individually, taking into account the circumstances of the claim, information available from inspection bodies, and historical evidence on the size of similar claims. Condition estimates are reviewed regularly and updated as new information becomes available.

Reinsurance risk

The Group enters into reinsurance contracts as part of a program to mitigate risks resulting from large insurance claims. As part of its normal activity, the Group enters into agreements with other parties for the purpose of reinsurance.

The Group evaluates the creditworthiness and financial conditions of its reinsurers to reduce its risk of significant loss if they become financially insolvent. It monitors concentrations of credit risk arising from similar geographic regions or economic characteristics.

The main risks that the Group may face under insurance contracts are the possibility that actual compensation and benefit payments or the timing of these terms may differ from what the Group expects. These risks are affected by the frequency, severity, actual benefits and subsequent developments of long-term compensation. The group's primary goal here is to ensure the availability of sufficient reserves to cover these compensations.

The risks described above are reduced through diversification across a large portfolio of insurance contracts. Risk diversification rates improve through good selection and application of underwriting guidelines as well as the use of reinsurance arrangements.

Most insurance business is distributed on a proportional basis, with retention limits varying by product type and region. The amounts recoverable from reinsurance contracts are estimated in a manner consistent with the provision for claims pending settlement and in accordance with the reinsurance contracts. Despite the existence of reinsurance arrangements, this does not exempt it from its direct obligation towards the rights of policyholders and therefore it is exposed to credit risk regarding the reinsurance operations assigned to the extent that the reinsurer is unable to fulfill its obligations assumed under the reinsurance arrangements. The Group's distributions of reinsurance subscriptions are diversified so that it is not dependent on a single reinsurer and the Group's operations are not substantially dependent on any single reinsurance contract.

17) Risks Management (continued)

17.4) Financial risk

The group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risks

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk.

Credit risk

Credit risk is the risk that the Group will incur a financial loss if the counterparty to a financial instrument fails to discharge an obligation, causing the other party to incur a financial loss. For all financial instruments held by the Group, the maximum credit risk to which the Group is exposed is the carrying amount disclosed in the consolidated statement of financial position.

The group applies the following policies and procedures to reduce credit risks:

Credit limits are set for individual counterparties and outstanding receivable balances are monitored.

It concludes reinsurance operations with creditworthy parties and constantly evaluates their financial situation.

Updating the strategy for purchasing reinsurance contracts and ensuring that an appropriate allowance for impairment is available.

Setting net exposure limits to counterparty credit risks according to geographical sector and business sector.

Cash and its equivalent are deposited with banks and financial institutions approved by the administration.

The maximum exposure to credit risk at the end of the reporting period was as follows:

| | 2024 KD | 2023 KD |
|-------------------------------|------------------|------------------|
| Shareholders | | |
| Bank balances and cash | 97,830 | 1,268,289 |
| Term deposits | 1,525,000 | 495,000 |
| Other assets | 31,849 | 30,760 |
| Qard Hasan to policyholders | 2,871,132 | 3,021,097 |
| Due from sale of subsidiary | 200,000 | - |
| Due from related parties | 661,141 | - |
| | <u>5,386,952</u> | <u>4,815,146</u> |
| Policyholders | | |
| Bank balances and cash | 337,566 | 699,610 |
| Term deposits | 2,605,508 | 2,628,485 |
| Reinsurance contract assets | 46,512 | 49,685 |
| Other assets | 1,849,953 | 1,969,663 |
| Amounts due from shareholders | 1,972,459 | 1,738,328 |
| | <u>6,811,998</u> | <u>7,085,771</u> |

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17) Risks Management (continued)

17.4) Credit risk (continued)

The following table shows information related to the Group's exposure to credit risk according to the credit rating of counterparties:

| | <u>Neither past due nor impaired</u> | | Past | Total KD |
|-------------------------------|--------------------------------------|---------------------|--------------------|------------------|
| | Excellent class KD | Regular class KD | due/impaired KD | |
| 31 December 2024 | | | | |
| Shareholders | | | | |
| Bank balances and cash | 97,830 | - | - | 97,830 |
| Term deposits | 1,525,000 | - | - | 1,525,000 |
| Other assets | 31,849 | - | - | 31,849 |
| Qard Hasan to policyholders | - | 2,871,132 | - | 2,871,132 |
| Due from sale of subsidry | 200,000 | - | - | 200,000 |
| Due from related parties | 661,141 | - | - | 661,141 |
| | <u>2,515,820</u> | <u>2,871,132</u> | - | <u>5,386,952</u> |
| | | | | |
| | <u>Neither past due nor impaired</u> | | Past | Total KD |
| | Excellent class KD | Regular class KD | due/impaired KD | |
| Policyholders | | | | |
| Bank balances and cash | 337,566 | - | - | 337,566 |
| Term deposits | 2,605,508 | - | - | 2,605,508 |
| Other assets | - | 1,849,953 | - | 1,849,953 |
| Reinsurance contract assets | 46,512 | - | - | 46,512 |
| Amounts due from shareholders | - | 1,972,459 | - | 1,972,459 |
| | <u>2,989,586</u> | <u>3,822,412</u> | - | <u>6,811,998</u> |
| | | | | |
| | <u>Neither past due nor impaired</u> | | Past | Total KD |
| | Excellent class KD | Regular class KD | due/impaired KD | |
| 31 December 2023 | | | | |
| Shareholders | | | | |
| Bank balances and cash | 1,268,289 | - | - | 1,268,289 |
| Term deposits | 495,000 | - | - | 495,000 |
| Other assets | 30,760 | - | - | 30,760 |
| Qard Hasan to policyholders | - | 3,021,097 | - | 3,021,097 |
| | <u>1,794,049</u> | <u>3,021,097</u> | - | <u>4,815,146</u> |
| | | | | |
| | <u>Neither past due nor impaired</u> | | Past | Total KD |
| | Excellent class KD | Regular class KD | due/impaired KD | |
| Policyholders | | | | |
| Bank balances and cash | 699,610 | - | - | 699,610 |
| Term deposits | 2,628,485 | - | - | 2,628,485 |
| Other assets | - | 1,969,663 | - | 1,969,663 |
| Reinsurance contract assets | 49,685 | - | - | 49,685 |
| Amounts due from shareholders | - | 1,738,328 | - | 1,738,328 |
| | <u>3,377,780</u> | <u>3,707,991</u> | - | <u>7,085,771</u> |

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17) Risks Management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below summarises the maturity profile of the Group's financial assets and liabilities as of 31 December 2024:

| | Shareholders | | | Policyholders | | |
|--|------------------------|---------------------------|------------------|------------------------|---------------------------|------------------|
| | Within 1 year KD | More than 1 year KD | Total KD | Within 1 year KD | More than 1 year KD | Total KD |
| Assets | | | | | | |
| Bank balances and cash | 97,830 | - | 97,830 | 337,566 | - | 337,566 |
| Term deposits | 1,525,000 | - | 1,525,000 | 2,605,508 | - | 2,605,508 |
| Financial assets at fair value through profit or loss | 658,765 | - | 658,765 | - | - | - |
| Financial assets at fair value through OCI | - | 622,544 | 622,544 | - | 436,566 | 436,566 |
| Due from sale of subsidiary | 200,000 | - | 200,000 | - | - | - |
| Due from related parties | 661,141 | - | 661,141 | - | - | - |
| Qard Hasan to policyholders | - | 2,871,132 | 2,871,132 | - | - | - |
| Other assets | 31,849 | - | 31,849 | 1,849,953 | - | 1,849,953 |
| Reinsurance contract assets | - | - | - | 46,512 | - | 46,512 |
| Amounts due from shareholders | - | - | - | 1,972,459 | - | 1,972,459 |
| | 3,174,585 | 3,493,676 | 6,668,261 | 6,811,998 | 436,566 | 7,248,564 |
| Liabilities | | | | | | |
| Amount due to policyholders | 1,972,459 | - | 1,972,459 | - | - | - |
| Other liabilities | 2,926 | - | 2,926 | 739,286 | - | 739,286 |
| Insurance liabilities | - | - | - | 6,430,654 | - | 6,430,654 |
| | 1,975,385 | - | 1,975,385 | 7,169,940 | - | 7,169,940 |

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17) Risks Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the group's financial assets and liabilities as of 31 December 2023:

| | Shareholders | | | Policyholders | | |
|---|------------------------|---------------------------|------------------|------------------------|---------------------------|------------------|
| | Within 1 year KD | More than 1 year KD | Total KD | Within 1 year KD | More than 1 year KD | Total KD |
| Bank balances and cash | 1,268,289 | - | 1,268,289 | 699,610 | - | 699,610 |
| Term deposits | 495,000 | - | 495,000 | 2,628,485 | - | 2,628,485 |
| Financial assets at fair value through OCI | - | 1,000,602 | 1,000,602 | - | 250,000 | 250,000 |
| Qard Hasan to policyholders | - | 3,021,097 | 3,021,097 | - | - | - |
| Other assets | 30,760 | - | 30,760 | 1,969,663 | - | 1,969,663 |
| Reinsurance contract assets | - | - | - | 49,685 | - | 49,685 |
| Amounts due from shareholders | - | - | - | 1,738,328 | - | 1,738,328 |
| | <u>1,794,049</u> | <u>4,021,699</u> | <u>5,815,748</u> | <u>7,085,771</u> | <u>250,000</u> | <u>7,335,771</u> |
| Liabilities | | | | | | |
| Amount due to policyholders | 32,943 | - | 32,943 | 594,212 | - | 594,212 |
| Other liabilities | - | - | - | 6,757,689 | - | 6,757,689 |
| Insurance liabilities | 1,738,328 | - | 1,738,328 | - | - | - |
| | <u>1,771,271</u> | <u>-</u> | <u>1,771,271</u> | <u>7,351,901</u> | <u>-</u> | <u>7,351,901</u> |

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 of three types of risk: profit rate risk, currency risk and equity risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company's exposure to market risk arises from:

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments.

The Group is not exposed to significant risks related to profit rates on investment deposits.

17) Risks Management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will be affected by changes in foreign currency exchange rates.

The Group is not exposed to significant foreign currency risks as of 31 December 2024 and 31 December 2023. There are no monetary assets or liabilities denominated in foreign currencies.

Equity price fluctuations risk

The equity price fluctuations risk arises from changes in the fair value of financial instruments as a result of changes in market prices, whether those changes are caused by factors specific to the financial instrument alone or its source, or because of factors affecting all financial instruments traded in the market. The group manages these risks by diversifying investments in terms of geographical distribution.

18) Fair value of financial instruments

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

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

Financial instruments whose fair value cannot be measured reliably and for which information about their fair value cannot be obtained are stated at initial cost less impairment. The fair value of interest bearing financial instruments is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Fair value hierarchy

The Group uses the following hierarchical table to determine and disclose the fair value of financial instruments through the valuation method:

Level 1: Fair value measurements derived from quoted prices (unadjusted) in an active market for identical assets or liabilities.

Level 2: Fair value measurements that are derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Financial assets that can be measured at fair value and recorded in the statement of financial position are classified in the fair value measurement hierarchy as follows:

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Fair value hierarchy (continued)

| | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|--|------------------|---------------|----------------|------------------|
| 31 December 2024 | | | | |
| Shareholders | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Locally managed portfolio | 658,765 | | | 658,765 |
| Financial assets at fair value through other comprehensive income | | | | |
| Quoted securities | 382,202 | - | - | 382,202 |
| Unquoted securities | - | - | 240,342 | 240,342 |
| Policyholders | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Shares in a joint venture | - | - | 436,566 | 436,566 |
| | 1,040,967 | - | 676,908 | 1,717,875 |

Financial assets that can be measured at fair value and recorded in the statement of financial position are classified in the fair value measurement hierarchy as follows:

| | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|--|----------------|----------------|----------------|------------------|
| 31 December 2023 | | | | |
| Shareholders | | | | |
| Financial assets at fair value through OCI | | | | |
| Quoted securities | 344,208 | - | - | 344,208 |
| Unquoted securities | - | - | 240,330 | 240,330 |
| Managed portfolios | - | 416,064 | - | 416,064 |
| Policyholders | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Shares in a joint venture | - | - | 250,000 | 250,000 |
| | 344,208 | 416,064 | 490,330 | 1,250,602 |

The methods and valuation techniques used for the purpose of measuring fair value have not changed compared to the previous reporting period.

a) Quoted securities

All quoted securities are traded on stock markets. The fair values are determined by reference to the last prices announced at the reporting date.

b) Unquoted securities

Fair value is estimated using a discounted cash flow model that includes some assumptions that are not supported by observable market prices or rates.

19) Contingent liabilities

The Group has contingent liabilities for letters of guarantee as at 31 December 2024 amounting to KD 2,064,353 (2023: KD 2,001,485).

20) Annual General Assembly

The annual ordinary general assembly of the Parent Company's shareholders was held on 3 April 2024 and approved the consolidated financial statements for the year ended 31 December 2023.

21) Capital management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years end 31 December 2024 and 31 December 2023.

22) Comparative figures

Certain comparative figures have been reclassified to conform to the current presentation of the financial statements.