



تآزر

## Financial Statements & Independent Auditor's Report

شركة تآزر للتأمين التكافلي ش.م.ك.م  
Tazur Takaful Insurance Co. (K.S.C.C)

الشرق - شارع خالد بن الوليد - برج الداو الدور 17  
Sharq, Khalid Bin Waleed St. Dhow Tower, 17<sup>th</sup> Floor

P.O.Box : 2983 Safat, 13030 Kuwait  
Tel.: +965 1837837 - Fax: +965 22494298  
[www.tazur.com.kw](http://www.tazur.com.kw)

 [tazur.com.kw](http://tazur.com.kw)  
 [tazurkw](https://www.instagram.com/tazurkw)  
 [@tazurKW](https://twitter.com/tazurKW)  
 [TazurKW](https://www.facebook.com/TazurKW)

 [info@tazur.com.kw](mailto:info@tazur.com.kw)  
 +965 1837837

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**T'azur Takaful Insurance Company K.S.C. (Closed)**  
**State of Kuwait**

**Financial statements and Independent Auditor's Report**  
For the financial year ended 31 December 2025

**T'azur Takaful Insurance Company K.S.C. (Closed)**  
**State of Kuwait**

**Financial statements and Independent Auditor's Report**  
**For the financial year ended 31 December 2025**

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## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of T'azur Takaful Insurance Company K.S.C. (Closed)  
State of Kuwait**

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of T'azur Takaful Insurance Company K.S.C. (Closed) ("the Company") which comprise the statement of financial position as at 31 December 2025, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of T'azur Takaful Insurance Company K.S.C. (Closed) as at 31 December 2025, and its financial performance and its cash flows for the financial year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

#### *Basis for Opinion*

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

#### *Other Information*

Management is responsible for the other information. The "Other information" section consists of the information included in the annual report of the Company for the year 2025, other than the financial statements and the auditor's report thereon. We have not received the annual report of the Company, which also includes the Board of Directors' report, prior to the date of the auditor's report and we expect to obtain these reports after the date of the auditor's report.

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

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



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of T'azur Takaful Insurance Company K.S.C. (Closed)  
State of Kuwait

### Report on the Audit of the Financial Statements (Continued)

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

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

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of T'azur Takaful Insurance Company K.S.C. (Closed)  
State of Kuwait

### Report on the Audit of the Financial Statements (Continued)

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

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

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

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

### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Company and the financial statements, together with the contents of the report of the Company's Board of Directors relating to these financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the financial statements incorporate all the information that is required by the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, nor the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2025 that might have had a material effect on the business of the Company or on its financial position.

**Qais M. Al Nisf**  
**License No. 38 "A"**  
**BDO Al Nisf & Partners**

**Kuwait: 16 February 2026**

**T'azur Takaful Insurance Company K.S.C. (Closed)**  
**State of Kuwait**

**Statement of Financial Position**  
As at 31 December 2025

	Notes	2025 KD	2024 KD
<b>ASSETS</b>			
Financial assets at fair value through other comprehensive income	4	720,444	600,606
Qard Hassan to Policyholders' fund	5	6,149,502	6,566,244
Wakala receivables	6	1,262,329	1,262,466
Restricted deposits	7	-	566,193
Term deposit		43,223	-
Due from Policyholders' fund	8	603,566	-
Bank balances and cash		59,547	121,478
<b>Total assets</b>		<b>8,838,611</b>	<b>9,116,987</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	5,000,000	5,000,000
Statutory reserve	10	278,009	275,381
Voluntary reserve	11	278,009	275,381
Fair value reserve		(410,608)	(530,446)
Retained earnings		3,680,202	3,268,416
<b>Total equity</b>		<b>8,825,612</b>	<b>8,288,732</b>
<b>LIABILITIES</b>			
Due to Policyholders' fund	8	-	818,711
Other credit balances		12,999	9,544
<b>Total liabilities</b>		<b>12,999</b>	<b>828,255</b>
<b>Total equity and liabilities</b>		<b>8,838,611</b>	<b>9,116,987</b>

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

**Dr. Ahmed Bin Saleh Al-Dehailan**  
Chairman

**Hamed Ahmad Mohammad AlAwadhi**  
Vice Chairman

**T'azur Takaful Insurance Company K.S.C. (Closed)**  
**State of Kuwait**

**Statement of Profit or Loss**  
For the financial year ended 31 December 2025

	Notes	<u>2025</u> KD	<u>2024</u> KD
<b>Revenue</b>			
Investment income	12	50,920	79,028
		<u>50,920</u>	<u>79,028</u>
<b>Expenses</b>			
General and administrative expenses		(24,644)	(12,002)
		<u>(24,644)</u>	<u>(12,002)</u>
<b>Profit for the year before deductions</b>			
		26,276	67,026
Distributions to shareholders of surplus from Takaful operations	14	416,742	383,539
Board of Directors' remuneration	19	(25,000)	(25,000)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(446)	(420)
Zakat		(530)	(378)
<b>Profit for the year</b>		<u>417,042</u>	<u>424,767</u>

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

**T'azur Takaful Insurance Company K.S.C. (Closed)**  
**State of Kuwait**

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the financial year ended 31 December 2025**

	<u>2025</u>	<u>2024</u>
Note	KD	KD
<b>Profit for the year</b>	417,042	424,767
<b>Other comprehensive income / (loss) item:</b> <i>Items that will not be reclassified subsequently to the statement of profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	4 <u>119,838</u>	<u>(3,289)</u>
<b>Other comprehensive income / (loss) for the year</b>	<u>119,838</u>	<u>(3,289)</u>
<b>Total comprehensive income for the year</b>	<u><u>536,880</u></u>	<u><u>421,478</u></u>

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

**T'azur Takaful Insurance Company K.S.C. (Closed)**  
**State of Kuwait**

**Statement of Changes in Equity**  
**For the financial year ended 31 December 2025**

	Share capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD
<b>Balance as at 1 January 2024</b>	5,000,000	268,679	268,679	(527,157)	2,857,053	7,867,254
Profit for the year	-	-	-	-	424,767	424,767
Other comprehensive loss for the year	-	-	-	(3,289)	-	(3,289)
Total comprehensive (loss) / income for the year	-	-	-	(3,289)	424,767	421,478
Transfer to reserves	-	6,702	6,702	-	(13,404)	-
<b>Balance as at 31 December 2024</b>	<b>5,000,000</b>	<b>275,381</b>	<b>275,381</b>	<b>(530,446)</b>	<b>3,268,416</b>	<b>8,288,732</b>
<b>Balance as at 1 January 2025</b>	5,000,000	275,381	275,381	(530,446)	3,268,416	8,288,732
Profit for the year	-	-	-	-	417,042	417,042
Other comprehensive income for the year	-	-	-	119,838	-	119,838
Total comprehensive income for the year	-	-	-	119,838	417,042	536,880
Transfer to reserves	-	2,628	2,628	-	(5,256)	-
<b>Balance as at 31 December 2025</b>	<b>5,000,000</b>	<b>278,009</b>	<b>278,009</b>	<b>(410,608)</b>	<b>3,680,202</b>	<b>8,825,612</b>

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

**T'azur Takaful Insurance Company K.S.C. (Closed)**  
**State of Kuwait**

**Statement of Cash Flows**  
For financial year ended 31 December 2025

	<b>2025</b>	<b>2024</b>
	KD	KD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	417,042	424,767
<i>Adjustments for:</i>		
Investment income	<u>(50,920)</u>	<u>(79,028)</u>
	366,122	345,739
<b>Changes in operating assets and liabilities</b>		
Other credit balances	<u>3,455</u>	<u>(10,331)</u>
<b>Net cash flows generated from operating activities</b>	<u>369,577</u>	<u>335,408</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net movement on wakala receivables	137	4,315
Investment income received	50,920	79,028
Net movement on restricted deposits	566,193	(5,049)
Net movement on term deposit	<u>(43,223)</u>	<u>-</u>
<b>Net cash flows generated from investing activities</b>	<u>574,027</u>	<u>78,294</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net movement in due from Policyholders' fund	(603,566)	-
Net movement in due to Policyholders' fund	<u>(401,969)</u>	<u>(358,804)</u>
<b>Net cash flows used in financing activities</b>	<u>(1,005,535)</u>	<u>(358,804)</u>
<b>Net (decrease) / increase in bank balances and cash</b>	(61,931)	54,898
Bank balances and cash at the beginning of the year	<u>121,478</u>	<u>66,580</u>
<b>Bank balances and cash at end of the year</b>	<u>59,547</u>	<u>121,478</u>
<b>Non-cash transactions:</b>		
Qard Hasan to Policyholders' fund	<u>416,742</u>	<u>383,539</u>
Due to Policyholders' fund	<u>(416,742)</u>	<u>(383,539)</u>

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

**T'azur Takaful Insurance Company K.S.C. (Closed)**  
**State of Kuwait**

**Notes to the Financial statements**

For the financial year ended 31 December 2025

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**1. INCORPORATION AND ACTIVITY**

T'azur Takaful Insurance Company (Known before as Al Wasael Takaful Insurance Company K.S.C.C.), is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait based on Article of Incorporation under No. 5728 Vol / 1 on 17 July 2007 and its amendments, the latest of which was notarised in the Commercial Registry No. 323017 dated 22 November 2016, the last amendment has been registered in the Commercial Register No. 323017 dated on 5 January 2025.

The Company is registered under the commercial registration No. 323017 dated 21 August 2007.

As at 31 December 2025, the Company is owned by Al Ritaj Investment Holding Company (the "Parent Company"), a shareholding company incorporated in the Kingdom of Bahrain by 45.82%.

The Company's activities are as follows:

1. Carrying out all types of Takaful activities and related activities, including Takaful and retakaful.
2. Investing the funds available to the Company in various activities that commensurate with the Company's objectives and not in conflict with the provisions of the Islamic Shari'a and established rules and regulations.
3. Providing takaful and retakaful consultancy and technical studies to companies involved in similar activities.
4. Investing the contributed funds from Policyholders and returns thereon.

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

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

The Company maintains separate books of accounts for Policyholders and Shareholders. Income and expenses that are clearly identifiable are recorded in the respective books of accounts. The management and Board of Directors determine the basis of allocation of common expenses.

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

The Company's registered address is Sharq, block 7, plot 17, P.O. Box 2983, Safat 13030, State of Kuwait.

The financial statements of T'azur Takaful Insurance Company K.S.C (Closed) (the "Company") for the year ended 31 December 2025 were authorised for issue by the Company's Board of Directors on 16 February 2026 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Company have the power to amend these financial statements at the Annual General Assembly.

## **2. BASIS OF PREPARATION**

These financial statements are presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Company and are prepared under the historical cost convention, except for the financial assets at fair value through other comprehensive income that are measured at fair value.

The preparation of financial statements in compliance with adopted IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgement in applying the Company's accounting policies. The areas of significant judgments and estimates made in preparing the financial statements and their effect are disclosed (Note 5).

### **2.1 APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS**

#### **a) New standards, interpretations, and amendments effective from 1 January 2025**

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised IFRS Accounting standards, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated).

*Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates):*

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

This amendment had no material effect on the financial statements of the Company.

#### **b) New standards, interpretations and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2026:

- *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial instruments and IFRS 7)*

The following standards and amendments are effective for the period beginning 1 January 2027:

- *IFRS 18 Presentation and Disclosure in Financial Statements*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures.*

The Company is currently assessing the impact of these new accounting standards and amendments.

### **3. MATERIAL ACCOUNTING POLICIES INFORMATION**

#### **IFRS 17 Insurance Contracts**

##### **Definition and classification**

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9. Some investment contracts without Direct Participation Feature (DPF) issued by the Company fall under this category.

Some investment contracts issued by the Company contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Company's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Company accounts for these contracts under IFRS 17.

The Company issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Company's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Investment components in savings and participating products comprise policyholder account values less applicable surrender fees.

The Company uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Company's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the FCF that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the VFA.

**Notes to the Financial statements**

For the financial year ended 31 December 2025

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**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

**Fair Value changes on Unit-Linked Investments**

Fair value changes on unit-linked investments have been included within the "Finance income/ expenses from insurance contracts issued" section to the statement of income. These changes are directly related to insurance contracts issued and may not represent realized gains/losses on investments. Their presentation aims to provide a more comprehensive view of the Company's financial performance.

All other insurance contracts originated by the Company are without direct participation features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

**Level of Aggregation**

The Company manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

- contracts that are onerous at initial recognition
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For group life risk and savings product lines, sets of contracts usually correspond to policyholder pricing groups that the Company determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Company monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the level of these pricing groups with no information available at a more granular level.

Contracts issued within participating product lines are always priced with high expected profitability margins, and thus, such contracts are allocated to groups of contracts that have no significant possibility of becoming onerous at the time of initial recognition.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

**Level of Aggregation (Continued)**

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued.

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

**Recognition**

A group of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and,
- when the Company determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination, or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Investment contracts with DPF are initially recognised at the date the Company becomes a party to the contract.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Company does not recognise a group of quota share reinsurance contracts held until it has recognised at least one of the underlying insurance contracts.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

**Contract modification and derecognition**

An insurance contract is derecognised when it is:

- extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, and certain additional criteria are met.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

**Contract modification and derecognition (Continued)**

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- a) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
  - i. is not in scope of IFRS 17,
  - ii. results in different separable components,
  - iii. results in a different contract boundary, or
  - iv. belongs to a different group of contracts.
- b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- c) the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Company:

- a) Adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for nonfinancial risk relating to the rights and obligations removed from the group.
- b) Adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:
  - i. If the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service.
  - ii. If the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party.
  - iii. If the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in a. adjusted for the premium the group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognising the new contract in this case, the Company assumes such a hypothetical premium as actually received.
- c) Adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

**Contract modification and derecognition (Continued)**

When an insurance contract accounted for under the PAA is derecognised, adjustments to the FCF to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- a) if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
- b) if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;
- c) if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

**Fulfilment cash flows**

*Fulfilment cash flows within contract boundary*

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- a) are based on a probability weighted mean of the full range of possible outcomes.
- b) are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables; and
- c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

**Notes to the Financial statements**

For the financial year ended 31 December 2025

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**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

**Fulfilment cash flows (Continued)**

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

The Company does not have any products with complex guarantees and does not use derivatives to economically hedge the risks.

**Contract boundary**

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Company has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

- a) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b) both of the following criteria are satisfied:
  - i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - ii. the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the Company to deliver cash at a present or future date.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive services from the reinsurer.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

**Notes to the Financial statements**

For the financial year ended 31 December 2025

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**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

**Measurement Model Application**

The Company applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds for which the coverage period is less than one year. For other contracts issued and held where the coverage period is more than one year, the Company performs PAA Eligibility testing as disclosed in (Note 3) to confirm whether the PAA may be applied. Subject to passing the PAA eligibility testing, the Company applied PAA on contract issued and reinsurance contracts held that pass the testing.

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

The Company does not have any products with complex guarantees and does not use derivatives to hedge the risks.

**Initial and subsequent measurement – groups of insurance contracts measured under the PAA**

The Company uses the PAA for measuring contracts with a coverage period of one year or less and on contracts that pass the eligibility testing as stated above.

The excess of loss reinsurance contracts held provide coverage on the insurance contracts originated for claims incurred during an accident year and are accounted for under the PAA.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

For reinsurance contracts held on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a) the LRC; and
- b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a) the remaining coverage; and
- b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a) increased for premiums received in the period,
- b) decreased for insurance acquisition cash flows paid in the period,
- c) decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period, and
- d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

**Notes to the Financial statements**

For the financial year ended 31 December 2025

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**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

**Initial and subsequent measurement – groups of insurance contracts measured under the PAA (Continued)**

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a) increased for ceding premiums paid in the period, and
- b) decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money since insurance contracts issued by the Company and measured under the PAA typically have a settlement period of over one year.

**Onerous contracts – Loss component on PAA**

For all contracts measured under PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

In addition, if facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. Once a group of contracts is determined as onerous on initial or subsequent assessment, loss is recognised immediately in the statement of income in insurance service expense.

The loss component is then amortized to the statement of income over the coverage period to offset incurred claims in insurance service expense. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Company remeasures the same and adjusts the loss component as required until the loss component is reduced to zero. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

**Insurance acquisition costs**

The Company includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- a) costs directly attributable to individual contracts and groups of contracts; and
- b) costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Before a group of insurance contracts is recognised, the Company could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.

The acquisition costs are generally capitalised and recognised in the statement of income over the life of the contracts.

**Notes to the Financial statements**

For the financial year ended 31 December 2025

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**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

**Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

The Company has chosen a confidence level in the range of 75% of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

***Amounts recognised in the policyholders' result by line of business for Insurance service result from insurance contracts issued***

**Insurance revenue**

As the Company provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Company expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- a) insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
  - i. amounts related to the loss component;
  - ii. repayments of investment components;
  - iii. amounts of transaction-based taxes collected in a fiduciary capacity; and
  - iv. insurance acquisition expenses;
- b) changes in the risk adjustment for non-financial risk, excluding:
  - i. changes included in insurance finance income (expenses);
  - ii. amounts allocated to the loss component, if any.
- c) experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.
- d) Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of insurance contracts.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

*Amounts recognised in the policyholders' result by line of business for Insurance service result from insurance contracts issued (continued)*

**Insurance service expenses**

Insurance service expenses include the following:

- a) incurred claims and benefits excluding investment components;
- b) other incurred directly attributable insurance service expenses;
- c) Insurance acquisitions costs incurred and amortization of insurance acquisition cash flows;
- d) changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
- e) changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the policyholders' result by line of business.

*Amounts recognised in policyholders' result by line of business for Insurance service result from reinsurance contracts held*

**Net income / (expenses) from reinsurance contracts held**

The Company presents financial performance of groups of reinsurance contracts held on a net basis between the amounts recoverable from reinsurers and allocation of the premiums for reinsurance contracts held, comprising the following amounts:

- a) reinsurance expenses (net of reinsurance premium-related commission income),
- b) incurred claims recovery,
- c) other incurred directly attributable insurance service expenses,
- d) effect of changes in risk of reinsurer non-performance,
- e) changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Company expects to pay in exchange for those services.

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

- a) insurance claims and other expenses recovery in the period measured at the amounts expected to be
- b) incurred at the beginning of the period, excluding repayments of investment components.
  - i. changes in the risk adjustment for non-financial risk, excluding:
  - ii. changes included in finance income (expenses) from reinsurance contracts held; and
- c) ceded premium experience adjustments relating to past and current service.

For groups of reinsurance contracts held measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 17 Insurance Contracts (Continued)**

*Amounts recognised in policyholders' result by line of business for Insurance service result from reinsurance contracts held (continued)*

**Insurance finance income or expenses**

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

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of financial risk and changes in financial risk.

**IFRS 9 Financial Instruments**

**Initial recognition and subsequent measurement**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

*Business model assessment*

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.

The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

**Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)**

The Company assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 9 Financial Instruments (Continued)**

**Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test) (Continued)**

The Company reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

**Measurement categories of financial assets and liabilities**

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in other comprehensive income with no subsequent reclassification to the statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

**Debt instruments at amortised cost**

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

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

Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Since the Company's financial assets (Qard Hassan to Policyholders' fund, Wakala receivables, Restricted deposits and Bank balances and cash) meet these conditions, they are subsequently measured at amortised cost.

*Qard Hassan to Policyholders' fund*

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

**Notes to the Financial statements**

For the financial year ended 31 December 2025

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 9 Financial Instruments (Continued)**

**Debt instruments at amortised cost (Continued)**

*Wakala receivables*

Wakala receivables comprise amounts invested with financial institutions in various investment products. Wakala receivables are stated at the gross amount receivable, net of deferred profit receivable and provision for impairment. Profit receivable is recognised on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

*Restricted deposits*

Restricted deposits represent amounts placed with Islamic financial institutions. Profit receivable is recognised as income on a time proportion basis to achieve fixed rate of return on outstanding balances for these transactions.

*Bank balances and cash*

Bank balances and cash include cash on hand and at banks and highly liquid financial assets with original maturities of less than three months.

**Equity instruments at FVOCI**

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when 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.

Gains and losses on these equity instruments are never recycled to the statement of income. Dividends are recognised in statement of income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity. The management classifies certain equity investments at FVOCI and are separately disclosed in the statement of financial position.

**Derecognition**

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired.
- the Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - a) the Company has transferred substantially all the risks and rewards of the asset, or
  - b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 9 Financial Instruments (Continued)**

**Derecognition (Continued)**

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost and debt investments measured at FVOCI.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are recognised in two stages, 12-month expected credit losses and Lifetime expected credit losses.

The Company measures 12-month expected credit losses in following cases:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

**Credit impaired financial assets:**

At each reporting date, the Company assesses whether financial assets measured at amortized cost and debt investments at FVOCI are credit impaired. In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are past due or there is a downgrade in credit ratings by two notches or more compare to the credit rating at the beginning of the financial reporting period.

**Recognition of ECL**

Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset (either partially or in full), the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease is related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed in profit or loss.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**IFRS 9 Financial Instruments (continued)**

**Presentation of loss allowances in the statement of financial position:**

Loss allowances for expected credit losses are presented as follows:

- financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets;
- the ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in the statement of comprehensive income with a corresponding charge to the statement of income.

**The calculation of ECL**

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

*Stage 1 - 12-month ECL (12mECL):*

The 12mECL is calculated as the portion of lifetime ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate effective interest rate (EIR).

*Stage 2 - LTECL:*

When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.

*Stage 3 - Credit impaired:*

For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

*Forward looking information*

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth

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**4. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

Financial assets at fair value through other comprehensive income represents the Company's investment in Takaful Oman Insurance Company - SAOG ("TAOI"), whose shares are publicly traded in Muscat Securities Market (MSM).

The movement during the year is as follows:

	<u>2025</u>	<u>2024</u>
	KD	KD
Balance as at the beginning of the year	600,606	603,895
Change in fair value	119,838	(3,289)
Balance as at the end of the year	<u>720,444</u>	<u>600,606</u>

The fair value of the quoted equity securities as at the reporting date is based on Level 1 inputs.

**5. QARD HASSAN TO POLICYHOLDERS' FUND**

In accordance with the Company's Article of Association, the net deficit from takaful operations is covered by Qard Hassan (free of finance charges with no repayment terms) from Shareholders. Qard Hassan given by Shareholders against the deficits in the Policyholders' fund will be settled from the surplus that is expected to result from the Policyholders' fund in the future years, at the discretion of the Company's management.

The movement on Qard Hassan to Policyholders' fund during the year is as follows:

	<u>2025</u>	<u>2024</u>
	KD	KD
Balance at the beginning of the year	6,566,244	6,949,783
Policyholders' fund surplus settled from Qard Hassan (Note 14)	(416,742)	(383,539)
Balance at the end of the year	<u>6,149,502</u>	<u>6,566,244</u>

As at 31 December 2023, the Company's Shareholders confirm that the balance of Qard Hassan is not due before three years.

Management is in the process of updating the detailed assessment of the recoverability of Qard Hassan to Policyholders' fund based on reasonable and supportable information as relevant to the operations of the current financial year.

**6. WAKALA RECEIVABLES**

Wakala receivables represents investments placed with local Islamic Financial Institutions, at average rate of return on the outstanding Wakala balance of 3.625% per annum (31 December 2024: 3% per annum). These Wakala receivables are due within one year from the date of their placement.

**7. RESTRICTED DEPOSITS**

Restricted deposits represent term deposits placed with local Islamic Banks, at average rate of return of 3.5% (31 December 2024: 3.5%) per annum. These deposits have an average contractual maturity of 365 days.

As per the Insurance law for companies and Agents promulgated by Law No. 24 of 1961 and its amendments, deposits placements amounted to Nil recognised in the Shareholders' books (31 December 2024: KD 566,193), in addition there are restricted deposits amounted to KD 1,146,000 (31 December 2024: Nil) in the Policyholders' fund assets and liabilities (Note 13) are pledged as a security to underwrite insurance activities. These deposits are not available for use in the Company's day-to-day operations.

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**8. DUE FROM / (TO) POLICYHOLDERS' FUND**

	<u>2025</u>	<u>2024</u>
	KD	KD
Balance at the beginning of the year	(818,711)	(1,561,054)
Distributions to shareholders of surplus from takaful operations (Note 14)	416,742	383,539
Policyholders' fund surplus settled from Qard Hassan (Note 14)	416,742	383,539
Net movement in funds obtained from Policyholders' fund	<u>588,793</u>	<u>(24,735)</u>
Balance at the end of the year	<u>603,566</u>	<u>(818,711)</u>

**9. SHARE CAPITAL**

The authorised, issued and paid-up capital consists of 50,000,000 shares (31 December 2024: 50,000,000 shares) with a nominal value of 100 Kuwaiti fils each and all shares are in cash.

**10. STATUTORY RESERVE**

As required by the Companies' Law and the Company's Articles of Association, 10% of the profit for the year before Board of Directors' remuneration, calculation of contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Company's Articles of Association.

**11. VOLUNTARY RESERVE**

As required by the Company's Articles of Association, 10% of the profit for the year before Board of Directors' remuneration, calculation of contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' General Assembly upon recommendation by the Board of Directors.

**12. INVESTMENT INCOME**

	<u>2025</u>	<u>2024</u>
	KD	KD
Wakala return income	49,863	50,522
Restricted deposits return income	<u>1,057</u>	<u>28,506</u>
	<u>50,920</u>	<u>79,028</u>

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**13. POLICYHOLDERS' ASSETS AND LIABILITIES**

The Company has converted its activities to be carried out in accordance with Takaful Insurance Principles. Accordingly, separate accounts have been created for the Policyholders' fund.

The accounting policies applied for the Takaful business in this financial information are consistent with those applied by the Company in its financial statements for the financial year ended 31 December.

**Policyholders' fund assets and liabilities:**

	Note	<u>2025</u>	<u>2024</u>
		KD	KD
<b>ASSETS</b>			
Properties and equipment		133,565	178,546
Insurance contract assets	15	3,702,773	2,942,427
Reinsurance contract assets	15	3,586	1,013,245
Restricted deposits		1,146,000	-
Term deposits		168,627	1,516,183
Due from Shareholders		-	818,711
Cash and cash equivalents		626,681	531,340
<b>Total assets</b>		<u>5,781,232</u>	<u>7,000,452</u>
<b>POLICYHOLDERS' FUNDS AND LIABILITIES</b>			
<b>Policyholders' funds</b>			
Qard Hassan		6,149,502	6,566,244
Accumulated deficit from takaful operations		(6,149,502)	(6,566,244)
<b>Total Policyholders' funds</b>		<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Insurance contract liabilities	15	4,776,519	6,891,376
Due to Shareholders		603,566	-
Other credit balances		401,147	109,076
<b>Total liabilities</b>		<u>5,781,232</u>	<u>7,000,452</u>
<b>Total Policyholders' funds and liabilities</b>		<u>5,781,232</u>	<u>7,000,452</u>

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**14. POLICYHOLDERS' RESULTS BY LINE OF BUSINESS**

	<u>2025</u>	<u>2024</u>
	KD	KD
Insurance revenues	10,234,568	11,477,948
Insurance expenses	(7,904,906)	(8,952,420)
Net expenses of reinsurance contracts	<u>(1,600,858)</u>	<u>(1,498,980)</u>
<b>Results of insurance services</b>	<u>728,804</u>	<u>1,026,548</u>
Income / (expenses) of financing from insurance contracts	8,632	(47,975)
Income of financing from held reinsurance contracts	<u>96,048</u>	<u>122,957</u>
<b>Net results of insurance financing</b>	<u>104,680</u>	<u>74,982</u>
<b>Net results of insurance services</b>	833,484	1,101,530
Provision for expected credit losses	-	(334,452)
<b>Net surplus for the year</b>	<u>833,484</u>	<u>767,078</u>
<b>Settlement of Qard Hassan (Note 5)</b>	416,742	383,539
<b>Distribution to shareholders (Note 8)</b>	<u>416,742</u>	<u>383,539</u>
	<u>833,484</u>	<u>767,078</u>

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**15. INSURANCE AND REINSURANCE CONTRACTS**

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

Valuation	31 December 2025		31 December 2024	
	Assets	Liabilities	Assets	Liabilities
	KD	KD	KD	KD
<b>Insurance contract assets and liabilities</b>				
Fire	-	(351,107)	-	(1,051,957)
General accident	-	(314,329)	-	(281,301)
Liability	-	(297,937)	-	(899,674)
Engineering	-	(452,795)	-	(387,928)
Marine	-	(11,869)	-	(10,374)
Medical	-	(943,453)	-	(1,694,309)
Motor	3,702,773	-	2,942,427	-
TWC	-	(1,392,694)	-	(1,553,498)
Provision for expected credit loss	-	(1,012,335)	-	(1,012,335)
<b>Total insurance contract assets and liabilities</b>	<b>3,702,773</b>	<b>(4,776,519)</b>	<b>2,942,427</b>	<b>(6,891,376)</b>
<b>Reinsurance contract assets and liabilities</b>				
Fire	372,385	-	878,262	-
General accident	170,028	-	187,552	-
Liability	149,930	-	601,554	-
Engineering	410,403	-	324,004	-
Marine	8,566	-	10,303	-
Medical	39	-	183	-
Motor	25,430	-	22,265	-
TWC	1,188,922	-	1,311,239	-
Provision for expected credit loss	(2,322,117)	-	(2,322,117)	-
<b>Total reinsurance contract assets and liabilities</b>	<b>3,586</b>	<b>-</b>	<b>1,013,245</b>	<b>-</b>

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**15. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)**

<b>31 December 2025</b>	<i>Liability for Remaining Coverage</i>	<i>Liability for Incurred claims</i>	<b>Total</b>
	KD	KD	KD
Insurance contracts liabilities as at 1 January 2025	3,830,575	118,374	3,948,949
<b>Insurance contracts liabilities as at 1 January 2025</b>	<b>3,830,575</b>	<b>118,374</b>	<b>3,948,949</b>
Insurance revenue	(10,234,568)	-	(10,234,568)
Incurred claims and other directly attributable expenses	-	6,042,131	6,042,131
Insurance service expenses	1,862,775	-	1,862,775
<b>Insurance service results</b>	<b>(8,371,793)</b>	<b>6,042,131</b>	<b>(2,329,662)</b>
Finance expenses from insurance contracts issued recognised in income statement	-	(8,632)	(8,632)
<b>Total amounts recognised in profit or loss</b>	<b>(8,371,793)</b>	<b>6,033,499</b>	<b>(2,338,294)</b>
<b>Cash flows:</b>			
Premium received	9,623,918	-	9,623,918
Claims and other directly attributable expenses paid	-	(8,467,566)	(8,467,566)
Insurance acquisition cash flows	(1,693,261)	-	(1,693,261)
<b>Total cash flows</b>	<b>7,930,657</b>	<b>(8,467,566)</b>	<b>(536,909)</b>
<b>Insurance contract liabilities as at 31 December 2025</b>	<b>3,389,439</b>	<b>(2,315,693)</b>	<b>1,073,746</b>
	<i>Liability for Remaining Coverage</i>	<i>Liability for Incurred claims</i>	<b>Total</b>
	KD	KD	KD
Insurance contracts liabilities as at 1 January 2024	4,743,442	1,353,631	6,097,073
<b>Insurance contracts liabilities as at 1 January 2024</b>	<b>4,743,442</b>	<b>1,353,631</b>	<b>6,097,073</b>
Insurance revenue	(11,477,948)	-	(11,477,948)
Incurred claims and other directly attributable expenses	-	6,846,283	6,846,283
Insurance service expenses	2,106,137	-	2,106,137
<b>Insurance service results</b>	<b>(9,371,811)</b>	<b>6,846,283</b>	<b>(2,525,528)</b>
Finance expenses from insurance contracts issued recognised in income statement	-	47,975	47,975
<b>Total amounts recognised in profit or loss</b>	<b>(9,371,811)</b>	<b>6,894,258</b>	<b>(2,477,553)</b>
<b>Cash flows:</b>			
Premium received	10,189,709	-	10,189,709
Claims and other directly attributable expenses paid	-	(8,129,515)	(8,129,515)
Insurance acquisition cash flows	(1,865,817)	-	(1,865,817)
<b>Total cash flows</b>	<b>8,323,892</b>	<b>(8,129,515)</b>	<b>194,377</b>
Provision for expected credit losses charge during the year	135,052	-	135,052
<b>Insurance contract liabilities as at 31 December 2024</b>	<b>3,830,575</b>	<b>118,374</b>	<b>3,948,949</b>

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**15. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)**

<b>31 December 2025</b>	<i>Reinsurance remaining coverage</i>	<i>Reinsurance incurred claims</i>	<b>Total</b>
	KD	KD	KD
Reinsurance contracts assets as at 1 January 2025	(2,231,247)	3,244,492	1,013,245
<b>Reinsurance contracts asset as at 1 January 2025</b>	<b>(2,231,247)</b>	<b>3,244,492</b>	<b>1,013,245</b>
Reinsurance expenses	(1,244,154)	-	(1,244,154)
Other incurred directly attributable expenses	92,102	(448,806)	(356,704)
<b>Net expense from reinsurance contracts held</b>	<b>(1,152,052)</b>	<b>(448,806)</b>	<b>(1,600,858)</b>
Finance income from reinsurance contracts held	-	96,048	96,048
<b>Total amounts recognised in profit or loss</b>	<b>(1,152,052)</b>	<b>(352,758)</b>	<b>(1,504,810)</b>
<b>Cash Flows:</b>			
Premiums paid net of ceding commissions and other directly attributable expenses	1,137,628	-	1,137,628
Recoveries from reinsurance	-	(642,477)	(642,477)
Total cash flows	1,137,628	(642,477)	495,151
<b>Reinsurance contracts assets as at 31 December 2025</b>	<b>(2,245,671)</b>	<b>2,249,257</b>	<b>3,586</b>
	<i>Reinsurance remaining coverage</i>	<i>Reinsurance incurred claims</i>	<b>Total</b>
	KD	KD	KD
Reinsurance contracts assets as at 1 January 2024	(1,708,208)	3,663,201	1,954,993
<b>Reinsurance contracts asset as at 1 January 2024</b>	<b>(1,708,208)</b>	<b>3,663,201</b>	<b>1,954,993</b>
Reinsurance expenses	(1,266,184)	-	(1,266,184)
Other Incurred directly attributable expenses	197,866	(430,662)	(232,796)
<b>Net expense from reinsurance contracts held</b>	<b>(1,068,318)</b>	<b>(430,662)</b>	<b>(1,498,980)</b>
Finance income from reinsurance contracts held	-	122,957	122,957
<b>Total amounts recognised in profit or loss</b>	<b>(1,068,318)</b>	<b>(307,705)</b>	<b>(1,376,023)</b>
<b>Cash Flows:</b>			
Premiums paid net of ceding commissions and other directly attributable expenses	744,679	-	744,679
Recoveries from reinsurance	-	(111,004)	(111,004)
Total cash flows	744,679	(111,004)	633,675
Provision for expected credit losses charge during the year	(199,400)	-	(199,400)
<b>Reinsurance contracts assets as at 31 December 2024</b>	<b>(2,231,247)</b>	<b>3,244,492</b>	<b>1,013,245</b>

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**16. RELATED PARTIES' DISCLOSURES**

The Company and the Policyholders fund has entered into various transactions with related parties in the normal course of its business (i.e. key management personnel, the Parent Company, entities under common control, and other related parties). Prices and terms of payment relating to these transactions are to be approved by the Company's management. Significant related parties' balances and transactions are as follows:

**Balances included in the statement of financial position:**

	<b>Entities under common control</b>	<b>2025</b>	<b>2024</b>
	KD	KD	KD
<b>Policyholders</b>			
Insurance contract liability	206,359	206,359	99,330

**Transactions included in the statement of profit or loss:**

	<b>Entities under common control</b>	<b>2025</b>	<b>2024</b>
	KD	KD	KD
<b>Policyholders</b>			
Insurance revenue	385,029	385,029	567,157
Insurance expenses	(5,518)	(5,518)	(117,343)

**Compensation to key management personnel:**

	<b>2025</b>	<b>2024</b>
	KD	KD
Salaries and short-term benefits	203,363	75,312
Employees' end of service benefits	28,390	7,637
	<u>231,753</u>	<u>82,949</u>

**17. RISK MANAGEMENT**

Key management recognises the critical importance of having efficient and effective risk management systems in place. Risk management also protects Policyholders fund by ensuring that all liabilities are fulfilled in duly matters.

*i. Governance framework*

The Company's risk and financial management framework aim to protect the Company's Shareholders from events that hinder the sustainable achievement of financial performance objectives including failing to exploit opportunities. Risk management also protects Policyholders fund by ensuring that all liabilities toward the Policyholders are fulfilled in duly matters. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's management is responsible for monitoring the compliance of the Company with the risk management function with clear terms of reference from the Board of Directors and the associated executive management committees. This will supplement with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

**Notes to the Financial statements**

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**17. RISK MANAGEMENT (CONTINUED)**

*ii. Regulatory Framework*

The regulatory authorities are mainly concerned with protecting the rights of Policyholders and closely monitoring them to ensure that the Company is managing matters in a satisfactory manner in order to achieve their benefit. At the same time, the regulatory authorities are also concerned with ensuring that the Company maintains a suitable solvency position to meet unforeseen liabilities that may arise from economic fluctuations or natural disasters.

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

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

- The licensed insurance company must place a deposit in one or more banks operating in Kuwait to guarantee the fulfilment of their insurance obligations, and the minimum value of deposit shall be KD 500,000 for insurance companies that engage in general insurance activities, properties and their branches or and liabilities insurance activities, in addition to 20% of the total direct premium after excluding the reinsurance share.
- The residual value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.
- The management is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the Board of Directors to ensure compliance.

*iii. Takaful insurance risk*

Takaful insurance risk is the risk that actual claims payable to Policyholders exceed the carrying amount of the reserved takaful liabilities.

*Frequency and amounts of claims*

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

*Fire and general accident*

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

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has retakaful cover for such damage to limit losses for any individual claim.

*Motor*

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has retakaful cover to limit losses for any claim (per event) exceeding KD 25,000.

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to motor vehicles are the key factors that influence the level of claims.

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**17. RISK MANAGEMENT (CONTINUED)**

*iii. Takaful insurance risk (Continued)*

*Marine*

For marine takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargos. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

*Medical*

For medical takaful the main risk are claims for medical or permanent disability.

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

*Retakaful insurance risk*

In order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

Retakaful ceded contracts do not relieve the Company from its obligations to Policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the retakaful operator fails to meet the obligations under the retakaful agreements.

The principal risk the Company faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

The majority of takaful business ceded is placed on a quota share basis with retention limits varying by product line and territory. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts. Although, the Company has retakaful arrangements, it is not relieved of its direct obligations to its Policyholders and thus a credit exposure exists with respect to ceded takaful, to the extent that any retakaful operator is unable to meet its obligations assumed under such retakaful agreements. The Company's placement of retakaful is diversified such that it is neither dependent on a single retakaful operator nor are the operations of the Company substantially dependent upon any single retakaful contract.

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**17. RISK MANAGEMENT (CONTINUED)**

*iii. Takaful insurance risk (Continued)*

*Non-life takaful contracts*

The management of the Company principally issues the following types of general takaful contracts: marine-cargo, hull comprehensive and third party liability, fire, contractors all risks, erection all risks, machinery breakdown, electronic equipment, burglary, personal accident, cash in transit, fidelity guarantee, plate glass, workmen compensation, third party liability, professional indemnity, bankers blanket, travel assistance, motor comprehensive, and motor third party liability. Risks under non-life takaful policies usually cover twelve-month duration.

For general takaful contracts the most significant risks arise from climate changes, natural disasters and terrorist activities. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

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

The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts. The variability of risks is improved by careful selection and implementation of underwriting

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

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum based on the Company's risk appetite as decided by management.

*Key Assumptions*

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

Other key assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

*Company takaful contracts*

For the Company, the main takaful risks are claims for medical, death or permanent disability.

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

For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

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**17. RISK MANAGEMENT (CONTINUED)**

*iii. Takaful insurance risk (Continued)*

*Key Assumptions (Continued)*

*Company takaful contracts (Continued)*

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

Company takaful contracts offered by the Company include Company whole life takaful and Company medical takaful.

The main risks that the Company is exposed to are as follows:

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

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

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

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

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

All Group takaful contracts are in Kuwait, the analysis above would not be materially different if based on the countries in which the counterparties are situated.

*iv. Financial risk*

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

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**17. RISK MANAGEMENT (CONTINUED)**

*iv. Financial risk (Continued)*

The Company is mainly exposed to market risk that is divided to profit rate risk, foreign currency risk and equity price risk. In addition, the Company is exposed to credit risk, and liquidity risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2025 and 2024, respectively. The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

**Market risk**

*a) Profit rate risk*

Financial instruments are subject to the risk of changes in value due to changes in the level of market interest for its financial assets and liabilities carrying floating return rates. The effect of decrease in profit rate is expected to be equal and opposite to the effect of the increase shown:

		2025	
		Increase against profit rate	Effect on statement of profit or loss
		Balance	KD
		KD	KD
<b><u>Shareholders</u></b>			
Restricted deposits	0.5%	43,223	216
<b><u>Policyholders</u></b>			
Restricted deposits	0.5%	1,314,627	6,573
			<u>6,789</u>
		2024	
		Increase against profit rate	Effect on statement of profit or loss
		Balance	KD
		KD	KD
<b><u>Shareholders</u></b>			
Restricted deposits	0.5%	566,193	2,831
<b><u>Policyholders</u></b>			
Restricted deposits	0.5%	1,516,183	7,581
			<u>10,412</u>

*b) Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Company incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Company may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Company ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

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**17. RISK MANAGEMENT (CONTINUED)**

**Market risk (Continued)**

*c) Equity price risk*

Equity price risk arises from the changes in fair values of equity investments. To manage such risks, the Company diversifies its investments in different sectors within its investment portfolio and are continuously monitored.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Company had significant exposure as of the reporting date. The effect of decrease in market prices is expected to be equal and opposite to the effect of the increase shown:

	Increase against equity price	2025	2024
		Effect on statement of profit or loss and comprehensive income and equity KD	Effect on statement of profit or loss and comprehensive income and equity KD
Foreign quoted securities	5%	36,022	30,030

**Credit risk**

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Board of Directors. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Retakaful is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparty limits that are set on a yearly basis by the Board of Directors and are subject to regular reviews at each reporting date, management performs an assessment of creditworthiness of retakaful operators and updates the retakaful purchase strategy, ascertaining suitable allowance for impairment.
- Maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.
- The credit risk in respect of customer balances, incurred on non-payment of contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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**17. RISK MANAGEMENT (CONTINUED)**

**Credit risk (Continued)**

The following table shows the maximum exposure to credit risk for the components of the statement of financial position:

	<u>2025</u>	<u>2024</u>
	KD	KD
<b>Shareholders</b>		
Qard Hassan to policy holders' fund	6,149,502	6,566,244
Wakala receivables	1,262,329	1,262,466
Restricted deposits	43,223	566,193
Due from Policyholders' fund	603,566	-
Bank balances and cash	59,547	121,478
	<u>8,118,167</u>	<u>8,516,381</u>
<b>Policyholders</b>		
Reinsurance contract assets	3,586	1,013,245
Restricted deposits	1,314,627	1,516,183
Due from Shareholders	-	818,711
Cash and cash equivalents	626,681	531,340
	<u>1,944,894</u>	<u>3,879,479</u>

The Company's maximum exposure arising from default of the counter-party is limited to the carrying amount of Qard Hassan to Policyholders' fund, wakala receivables, restricted deposits, reinsurance contract assets, other receivables and prepayments, due from Shareholders and cash and cash equivalents.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations, when maturity profiles are determined on the discounted estimated timing of net cash outflows. Repayments which are subject to notice are treated as if notice were to be given immediately.

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**17. RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (Continued)**

	31 December 2025			
	1 to 3 months	4 to 6 months	7 to 12 Months	Total
	KD	KD	KD	KD
<b>Shareholders</b>				
Other credit balances	12,999	-	-	12,999
	12,999	-	-	12,999
<b>Policyholders</b>				
Insurance liability	1,769,172	295,409	2,711,938	4,776,519
Other credit balances	197,040	109,956	94,151	401,147
	1,966,212	405,365	2,806,089	5,177,666
<b>31 December 2024</b>				
	1 to 3 months	4 to 6 months	7 to 12 Months	Total
	KD	KD	KD	KD
<b>Shareholders</b>				
Due to Policyholders' fund	818,711	-	-	818,711
Other credit balances	9,544	-	-	9,544
	828,255	-	-	828,255
<b>Policyholders</b>				
Insurance liability	2,552,494	426,205	3,912,677	6,891,376
Other credit balances	53,577	29,898	25,601	109,076
	2,606,071	456,103	3,938,278	7,000,452

**18. CONTINGENCIES**

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

**19. SHAREHOLDERS' ANNUAL GENERAL ASSEMBLY**

The Board of Directors' meeting held on 16 February 2026 proposed not to distribute dividends or bonus shares to shareholders and to pay remuneration to the Board of Directors amounting of KD 25,000 for the year ended 31 December 2025. In addition, the Board of Directors propose on distribution of 50% of the policyholders' results for the year ended 31 December 2025, which represent an amount of KD 416,742 to the Company's shareholders. These recommendations are subject to the approval of the Shareholders' General Assembly of the Company.

The Shareholders' Annual General Assembly meeting of the Company held on 26 March 2025 approved the financial statements for the financial year ended 31 December 2024 and approved not to distribute dividends and approved to pay Board of Directors remuneration amounting of KD 25,000 for the financial year ended 31 December 2024.

The Shareholders' Annual General Assembly meeting of the Company held on 28 April 2024 approved the financial statements for the financial year ended 31 December 2023 and approved not to distribute dividends and approved to pay Board of Directors remuneration amounting of KD 25,000 for the financial year ended 31 December 2023.

**20. FAIR VALUE MEASUREMENT**

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- Through the primary market of the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Financial assets at fair value through other comprehensive income for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial assets at fair value through other comprehensive income are based on Level 1 inputs.