WARBA INSURANCE
وربــــــة للتأمـــين

ANNUAL REPORT 41

Commercial Registration No. (24982)
Insurance Registration No. (4)
Company established October 24th, 1976 KSE Code (WINS)

H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of the State of Kuwait

CONTENTS

OUR VISION AND MISSION EMANATE FROM OUR CORE VALUES

Our Vision

To confirm our position as the most preferable partner.

Our Mission

To redefine the principle of success as the art of working together.

Our Values

- Credibility
- Integrity
- Transparency

AGENDA OF THE ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS (AGM)

FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2019

1- Listen to the report of the Board of Directors on the Company's operations and financial position for the financial year ended December 31, 2019.
2- Listen and approve the Corporate Governance report for the financial year ended December 31, 2019.
3- Listen and approve the Audit Committee report for the financial year ended December 31, 2019.
4- Listen and approve the Auditors' report for the financial year ended December 31, 2019.
5- Listen to the remuneration and benefits of the members of the Board of Directors and Executive Management for the year ended December 31, 2019.
6- Listen to the report on any irregularities (if any) recorded by the Auditors for the financial year ended December 31, 2019.
7- Approve the financial statement and balance sheet for the financial year ended December 31, 2019.
8- Listen to the Internal Audit report for the financial year ended December 31, 2019.
9- Vote on the Board of Directors' recommendation to distribute 7.5% (seven and a half percent) of the nominal share price in cash dividends to shareholders registered in the company's records on the day of claiming (scheduled 15 days after the AGM), the equivalent of 7.5 fils (seven and a half fils) per share after deducing treasury shares for the fiscal year ended December 31, 2019, provided that dividends are distributed to eligible shareholders in five working days from the date of claiming.
10- Vote on the Board of Directors' recommendation to distribute 2.5% in bonus shares of 2.5% (two and a half percent) of the issued and paid up capital by issuing 4,319,718.500 new shares distributed as bonus shares to shareholders registered in the company's records by the end of the maturity day and proportionally to their current ownership share, equivalent to two and a half shares for every one hundred shares. Also vote to cover the value of the increase in the issued and paid up capital by KD 431,971.500 (four hundred and thirty-one thousand and nine hundred and seventy-one Kuwaiti dinars and 500 fils only) from retained earnings, and authorize the Board of Directors to dispose of fractional shares according to what it deems appropriate. Authorize the Board of Directors as well to amend the aforementioned timetable to implement the AGM's decision to distribute dividends in the event that procedures are not completed for the month and to move the date eight days earlier to the due date.
11- Approve the Board of Directors' recommendation to pay remunerations for the year ended December 31, 2019 for a total value of KD 35,000.
12- Release and discharge the Board of Directors from their legal, financial and managerial roles and responsibilities for the financial year ended December 31, 2019.
13- Authorize the Board of Directors to make market purchases of ordinary shares in the Company, without exceeding 10% of total shares in accordance to the Executive Bylaws under Law number 7 for the year 2010 and their amendments.
14- Approve the transactions completed with relevant parties during the year ended December 31, 2019 and authorize the Board of Directors to deal with relevant parties for the financial year ended December 31, 2020.
15- Appoint or re-appoint the financial auditors to hold office from the conclusion of the AGM to the end of the financial year ended on December 31, 2020, and to authorize the Directors to fix their remuneration.

Anwar Jawad Bukhamseen

Chairman

AGENDA OF THE ANNUAL EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS (AGM)

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

1- Approve the increase of the issued and fully paid-up capital of the Company from KD 17,278,874 (Seventeen million, two hundred and seventy eight thousand, eight hundred and seventy four Kuwaiti dinars) to KD 17,710,845.850 (Seventeen million, seven hundred and ten thousand, eight hundred and forty five Kuwaiti dinars and 850 fils), by issuing 4,319,718.5 (Four million, three hundred and nineteen thousand, seven hundred and eighteen and a half) new shares distributed as bonus shares to eligible and registered shareholders in the manner indicated in the schedule approved by the Ordinary General Meeting of Shareholders. The value of the resulting increase in the issued and paid-up capital amounting to KD 431,971.850 (Four hundred and thirty one thousand, nine hundred and seventy-one Kuwaiti dinars and 850 fils) will be covered from retained earnings.

   Authorize the Board of Directors to dispose of fractional shares according to what it deems appropriate and to amend the aforementioned timetable to implement the AGM's decision to distribute dividends in the event that procedures are not completed for the month and to move the date eight days earlier to the due date.

2- Approve the following amendments to some articles in the Articles of Association and Memorandum of Association of the Company:

   Amending the text of Article Six of the Memorandum of Association and Article Five of the Articles of Association:

   Text before the amendment: "The Company's capital is set at an amount of KD 17,278,874 (Seventeen million, two hundred and seventy-eight thousand, eight hundred and seventy-four Kuwaiti dinars) distributed over 172,788,740 shares (One hundred and seventy two million, seven hundred and eighty-eight thousand, seven hundred and forty shares) at a value of one hundred fils for each share, all fully paid and are cash shares.

   Text after amendment: "The Company's capital is set at KD 17,710,845.850 (Seventeen million, seven hundred and ten thousand, and eight hundred and forty five Kuwaiti dinars and 850 fils) distributed over 177,108,458.5 shares (One hundred and seventy seven million, one hundred and eight thousand, four hundred and fifty eight and half shares) at a value of one hundred fils for each share, all fully paid and are cash shares.

Anwar Jawad Bukhamseen

Chairman

WARBA INSURANCE
BOARD OF DIRECTORS

AS OF 31 DECEMBER 2019

Mr. Anwar Jawad Bukhamseen
Chairman
Non-Executive

Sheikh/ Mohammad Al-Jarrah Al-Sabah
Vice Chairman
Non-Executive

Mr. Raed Jawad Bukhamseen
Board Member
Non-Executive

Mr. Hazem Ali Al-Mutairi
Board Member
Non-Executive

Mr. Rifat Ghalayini
Board Member
Non-Executive

Mr. Rafid Al-Rifai
Board Member
Independent

Mr. Mohammad Al-Mubaraki
Board Member
Independent

CHAIRMAN'S LETTER

REPORT OF THE BOARD OF DIRECTORS FOR 2019

Dear Shareholders,

On behalf of the Board of Directors and everyone working at Warba Insurance, I am pleased to welcome you to the Company's 41st Ordinary Annual General Meeting of Shareholders. I start this meeting by praising God Almighty, and thank you for your continued support and trust as we continue to endeavor to achieve our Company's objectives and strategies, and raise its position to a record and aimed for performance.

In four decades of achievements, giving and persistence, Warba Insurance maintained its position and reaffirmed that it has indeed earned the trust of its shareholders and customers. That trust is renewed day after day as our Company develops and evolves its operational approach to remain at pace with modern advancements and fast developments, and especially to enable it from weathering through difficult economic conditions and business environments in which traditional operations have no place, and rather innovative solutions that remain true to our Company's guiding values and principles prevail.

I am pleased today to present Warba Insurance's forty-first annual report for the year 2019 which was a positive and fruitful year. We have successfully crossed a delicate phase in the history of our Company in which we have achieved the objectives of the Company's vision as promised in the Warba Vision for 2021. The results of our operations in 2019 are proof to these positive actions that we will review during our meeting, in addition to the consolidated financial statements for the year 2019 and other reports, all reflecting the significance of the efforts made throughout the past year.

Firstly, I take this opportunity to highlight the most important achievements of our Company in 2019, reaffirming Warba Insurance's commitment to its strategies, policies and procedures. This is clearly reflected in the performance of our operations and investments. This comes in line with our focus on developing the Company's infrastructure to support its business lines with advanced solutions that aim to support the growth we look forward to achieving.

Under Warba Vision for 2021, we continue to invest all of our efforts to achieve the Vision's objectives. We've already seen a fundamental transformation in our Company's performance on every level, starting from the successful restructuring to the development and modernization of internal operations and the work approach, and the full compliance to the road map that was developed to achieve our strategic goals on scientific grounds and in accordance with the best global practices thanks to experienced professionals that are turning these strategies into a success.

The Kuwaiti Economy

The Kuwaiti economy saw important events in 2019, such as the upgrade of Boursa Kuwait to international indexes, the implementation of legal and economic legislations to achieve the goals of the New Kuwait Vision for 2035, and the merger of banks and companies. These events brought international rating agencies, the World Bank and International Monetary Fund (IMF) to shed light on the local economy which mainly depends on oil as the commodity to support the largest share of local revenues. These agencies and institutions are constantly evaluating the Kuwaiti economy to address the positive changes that set it apart as one of the most important Gulf economies, and identify the important challenges facing it.

The World Bank announced that Kuwait came for the first time in the top 10 countries out of 190 with the biggest improvement in the Ease of Doing Business in the World 2020 Index. Kuwait consolidated its efforts to improve the local business environment by making reforms in six out of the ten criteria supporting businesses. The improvement has made the local investment environment more attractive.

During that phase, the World Bank commended Kuwait's efforts in improving its economic environment, affirming that the country is "on the right track" and that the Kuwaiti government is making great efforts to curb its participation in the economy and increase the role of the private sector as well as reduce obstacles to trade and investments.

On another hand, the International Monetary Fund confirmed at the end of October 2019 that Kuwait has set itself apart from the rest of the countries in the region by its ability to execute a gradual program to manage public expenditure without rushing into it because of its strong financial position and significant financial reserves.

And as part of the New Kuwait Vision for 2035, Warba Insurance adopted in its strategies a number of the pillars identified in the Vision and how it contributes effectively to achieving that Vision to ultimately enhance the position of the State of Kuwait as one of the leading regional and global economies.

Throughout 2019, Warba Insurance continued to focus its efforts on strengthening and improving its insurance and investment portfolio and ways of efficiently conducting its business. The Company adopted select policies that align with the foundation and controls in place in an aim to achieve higher profitability, stability and business continuity. This necessitated placing strict measures in our various businesses, which in turn provided increased net investment and operational returns, in addition to focusing on increasing the Company's market share in the Kuwaiti insurance market.

The Company strived to support and renew its agreements with reinsurance contracts with international firms that enjoy high credit ratings, strong financial solvency and exceptional technical expertise. The results translated immediately on the Company's financial performance.

First: Financial Highlights

In 2019, earnings were positive and promising results at various levels as follows:

- **Net profit attributable to the shareholders of the parent company increased** by 49.8% to KD 1,170,379 in 2019, in comparison to a net profit of KD 781,524 in 2018.
- **Shareholders' equity of the parent company increased** by 6.1%, to KD 38,107,012 in 2019, in comparison to KD 35,901,863 in 2018.
- **Total written premiums increased** by 3.9% to KD 29,679,000 in 2019, in comparison to KD 28,552,109 in 2018.
- **Net written premiums increased** by 5.9% to KD 15,109,904 in 2019, in comparison to KD 14,270,288 in 2018.
- **Net earned premiums increased** by 3.1% to KD 14,726,301 in 2019, in comparison to KD 14,288,875 in 2018.
- **Net investment returns increased** by 60.4% to KD 1,959,661 in 2019, in comparison to KD 1,221,404 in 2018.
- **Technical reserves increased** by 25.1% to KD 65,285,130 in 2019, in comparison to KD 52,202,771 in 2018.
- **Total assets increased** by 10.5% to KD 119,140,012 in 2019, in comparison to KD 107,821,931 in 2018.

These financial earnings reflect the effectiveness of our present operational strategies and methodologies in supporting our recovery as per the reform policies that we have implemented. We are today reaping the fruits of the year, reaffirming that We are on the right path to ensure our continuity towards excellence, not only locally, but as well as regionally and internationally.

Second: Investments

Warba Insurance adopted a new investment approach in which the Company focuses on safe investments with moderate risks and high, stable periodic returns and profitability. The Company also focused on exiting high risk investments. By the end of the year, the profitability and returns from investments reached 60%.

Dear Shareholders,

Under the current economic conditions and through 2019, Warba Insurance maintained its credit rating at BBB with a negative outlook rated by S&P Global, one of the leading and global credit rating agencies. The rating as per the criteria of the rating agency show a strong and adequate capital and financial solvency, while affirming the Company's position as one of the largest insurance companies in the State of Kuwait with a strong level of cash liquidity and enhanced technical reserves.

The Company has also been successful for the past twelve years in maintaining the highest standards of quality through its commitment to international standards of quality management known as the ISO 9001:2015. We've renewed the accreditation granted by one of the leading quality control companies in the United Kingdom, supported by our defined framework, commitment to approved policies and procedures that are based on the risks and according to international standards, preventive and discretionary measures to reduce non-conformity cases with approved standards guiding our company. Together, these factors have led to an improvement in the quality of operations and insurance services that are offered to our clients and related parties, raising them to unprecedented levels and therefore enabling the Company to achieve the desired strategic objectives according to the latest scientific standards.

Warba Insurance also reaffirmed its commitment to technical development by following global advancements, protecting its assets and data from cyberattacks and piracy, and ensuring it implements advanced measures and precautions to effectively protect the Company according to the latest technologies in information security. These measures have enabled the Company to renew its certificate of international standards in information security, the ISO 27001:2013, for the fifth year in a row, confirming once again the quality and effectiveness of these tools and the precautionary measures undertaken by the Company.

The Company continues as well to modernize and develop its information technology infrastructure as well as the programs used to facilitate operations and ensure the highest level of professionalism. These steps are considered an internal investment to ensure the continuity and quality of every operation and supporting divisions.

During 2019, Warba Insurance completed the internal restructuring of its most important components, its human capital, and the most significant and real investment in any organization. The Company strengthened its human capital with expertise and capabilities that set it apart and through ambitious development and training programs. Some of these programs depended on online and distance learning with one a leading training provider, while others on external training courses or organized within our Company. These programs cover every area of development from skills at work, to specialized and general knowledge.

The Company also intensified its efforts in 2019 to support activities that serve the community and public interest by contributing to social and charitable initiatives such as:

- Blood donation drive in which our employees took part,
- Gold Sponsor of the Federation of Kuwaiti Industries to support improving the future of sector in Kuwait,
- Visits to orphanages and gifting of children,
- Equipping two schools with smart classrooms,
- Sponsoring and participating in Ramadan Tournaments.

Our Future Strategy

The Board of Directors will start working in the coming period on a new strategic direction once successfully completing its present goals. The focus will be on strengthening its methodologies and continuously developing them to keep pace with ongoing changes and fluctuations, developing a plan to achieve sustainability and growth while preserving the Company's capabilities, earnings and achieving the desired goals, and increasing profitability and market share.

Third: Earnings and Recommendations

The Company's net profit for the fiscal year ended December 31, 2019 reached KD 1,178,263. Adding retained earnings of KD 781,524 from the beginning of the year and after deducting the minority interest of KD (40,431), the total distributable profits reached KD 1,951,902.

Accordingly, the Board of Directors is pleased to recommend the following dividends:

Statement	Value (Kuwaiti dinars)
7.5% of the paid-up capital for cash distribution to shareholders	1,215,676
2.5% bonus shares distributed to shareholders (2.5 shares per hundred shares)	431,972
KFAS share	10,504
National Labor Tax	28,210
Zakat	9,601
Board of Directors remuneration	35,000
Retained earnings for the next year	165,940
Total	1,951,903

Dear Shareholders,

Concluding my report to you, I extend our sincere gratitude to His Highness the Emir, Sheikh Sabah Al Ahmad Al Jaber Al Sabah, and His Highness the Crown Prince Sheikh Nawaf Al Ahmad Al Jaber Al Sabah, may God protect them to lead our beloved country.

We also extend our gratitude to the Ministry of Commerce and Industry for its continued support to the specific needs of the insurance sector. We thank the Insurance Department, Ministry of Finance, Ministry of Interior and regulatory authorities including the Capital Market Authority, Boursa Kuwait, and Kuwait Insurance Federation for their efforts to improve the local economy and raise it to international standards.

I present my gratitude as well to reinsurance companies, and praise the continued cooperation between local insurance companies in serving the local market at our best. We thank your customers for their valuable trust and affirm that we will continue presenting them with a high level of services and remain always at their best interest.

Last but not least, I extend my gratitude to the management and employees of Warba Insurance whose efforts and professionalism have driven the success and advancement of our Company.

May God bless our efforts and work that aim for the best interest of our country.

Sincerely,

The Chairman of the Board of Directors

CEO'S LETTER

REPORT OF THE EXECUTIVE MANAGEMENT FOR 2019

Dear Sirs,

I'm delighted to be introducing Warba's 2019 Annual Report. I would describe 2019 as an excellent year for Warba despite the constant challenging market conditions. I am pleased to report that we successfully improved our financial performance, enhanced our technical reserves and strengthened our governance framework. Warba has been going through a transformational phase as part of the Company's "Warba Vision 2021" initiative that was launched back in 2016. "Warba Vision 2021" is mainly aimed to transform the organization into a more dynamic national insurer striving for providing innovative insurance products with sustainable profitability. By all measures, the year ended 31st December 2019 was an eventful year for Warba. We have invested significantly in our human and technological capital as part of our commitment to operate within the highest and most-advanced standards. The Company also improved internal processes and systems so as to enhance corporate governance, risk management and cost efficiency.

The growth in Warba's profits compared to the previous year's loss resulted not only from prudent underwriting and claims management but also from the company's ability to meet its planned increase in customer retention which has increased year-on-year and remains a cornerstone of our insurance risk management policy. I'm extremely proud of what all teams here in Warba have accomplished this past year. We strongly believe that our employees are our most valuable assets and they have invested their unmatched knowledge in providing exceptional insurance products and services to the Company's customers.

The development of the human resources was a top priority for the management throughout the year. This included preparing an appropriate training program and recruitment of qualified personnel to implement the company's long-term vision. Warba's management team strongly believes in the importance of training and customer service as a key competitive differentiator. In this context, the development of a cadre of skilled executives is critical to lay the foundation for the company's progression.

Warba has also reviewed and updated its underwriting policies and procedures in order to reflect changes in the operations, improved controls and streamlined processes. The financial policies and procedures for the Company was revamped and this should improve the operational efficiency.

In closing, I would like to express my deep gratitude to the Board of Directors for their dedicated support and guidance, and to our customers for putting their trust in our company. In particular, I would also like to thank our management and employees for their remarkable individual and collective efforts and contributions with which were undoubtedly a major factor to the Company's impressive achievements during 2019.

We promise you that Warba will continue to generate success through its approach of prudent expansion and exemplary growth in tandem with astute investment strategies to continue our success story.

Anwar Fozan Al-Sabej
Chief Executive Officer

COMPANY PROFILE

YEARS OF RADIANCE

About Us

Warba Insurance was established in 1976 with Kuwait's heritage and values at heart. Since then, the Company has provided insurance services to individuals and companies in utmost integrity and security. Warba Insurance, with 44 years of experience, continues to provide the highest standards of service quality in insurance policies that meet the needs of the different segments without losing sight of the communities we serve.

Today, Warba Insurance is one of the largest insurance providers based on the underwritten premium in the State of Kuwait, offering a comprehensive range of products under both life and non-life lines of business. The Company continues to deliver services with a personalized attention to clients' needs, ensuring they get the security they need every day.

As we look forward to the future, our promise to our clients is that we will always remember where we came from, and maintain our standards and integrity in all our decisions and offerings. We believe that any success is based on strong and mutually beneficial relationships that we build along the way. This is why our focus remains on being a leader in the insurance industry and to deliver the best value and service, as well as innovative solutions to each customer throughout our journey.

Life Insurance

Warba Insurance offers a wide range of solutions in Life Insurance to meet the needs of individuals and support their personal financial planning, as well as provide corporates and groups with personalized plans that serve their everyday business and risks.

Medical Insurance

The Medical Insurance policies cater to both individuals and corporates, and comprise levels of coverage.

Marine Insurance

Marine Insurance provides protection to both individuals and corporate clients having business related to cargoes, ships, yachts and jet skis as well as their related liabilities. We provide a wide range of solutions that can be tailored based on the needs of each client.

Motor Insurance

Warba Insurance has and remains the trusted partner when it comes to Motor Insurance as we continue to provide excellent customer service and quality coverage for our corporate and individual clients.

Fire and General Accidents Insurance

Warba Insurance provides full coverage policies for companies and institutions operating in real estate and industrial sectors, amongst others, as well as a wide range of solutions for individuals that cover property, households, personal accidents, travel and more.

Supporting our Business Lines

The success and quality of our business lines are supported by various departments that contribute to our customer service excellence.

Information Technology

At Warba Insurance, we follow a dynamic methodology in the management of our operations. We apply the best global practices and standards in Information Technology (IT) integrated solutions to measure and determine our performance indicators, and to develop a strong security infrastructure for information.

Human Resources

Developing our human resources is our priority. Every member of our team, no matter in which division they work in, is a significant asset to the Company. Our Human Resources department creates a rewarding work environment and training programs designed to ensure achieving the Company's vision.

Legal Affairs

The Legal Affairs department is considered our main driver in our daily operations. It provides legal protection to our business, and works closely as a consultant with other department before products and services are launched or signed.

Public Relations and Marketing

The Public Relations and Marketing vision ensures a continuous and transparent communication with our stakeholders, be it our individual or corporate clients, shareholders and other partners. We engage with our stakeholders through traditional media, digital and online channels that enable us to offer our products and services while making sure that customers can find what they're looking for.

Sales, Distribution and Underwriting Sector

The Sales, Distribution and Underwriting sector is one of the most important sectors in the Company and its represents the operating activity and source of income. The Sales, Distribution and Underwriting sector is based on a strategy aimed at enhancing the sales volume and close communication gaps between our Company and its clients, enabling us to provide a better and comprehensive service to clients and all their needs. It focuses on completing the services provided to the client with other services that will respond to the his or her changing needs. This is done by examining each case separately and closely to provide the services efficiently. The distribution channels aim to maintain Warba Insurance's position as a leading company in the insurance market while ensuring that its customer-centric approach remains in every aspect of its business.

Financial Affairs

Finance Affairs manages the financial transactions of the Company in accordance with international standards and specifications. It also manages investment portfolios, which represent a source of income for the Company and contribute in enhancing its profitability.

Claims and Network Management Sector

The Claims and Network Management sector ensures customers are served at best when it comes to providing them with advice on claims for compensation, restitution, repayment or any other remedy for loss or damage, or in respect of some other obligation, in addition to ensuring a sound management of protocols and efficient platform that provides quality assurance and enhances relations with all medical and service providers.

Administration Department

The Administration department works to establish a professional administrative framework for the Company to ensure the ease of business with official authorities, as well as to establish procedures aimed at controlling the maintenance and internal services in the Company, and streamlining administrative expenses.

Governance, Risk Management and Compliance Sector

Risk Management Department

Risk Management monitors the risks facing the Company, develops a unified vision and strategic plans to address them, monitors and evaluates the efficiency and quality of the Company's technical, and operational processes, manages its credit rating, prepares its business plans in line with its risk appetite, prepares market and field research and studies, and ensures the strategic objectives for the work plans.

Corporate Governance and Compliance Department

The department ensures that the Company is committed to working within a legal framework that complies with the laws and regulations issued by the regulatory authorities regarding the rules of governance, corporate law, anti-money laundering, terrorism funding, the US tax compliance law (FATCA), the Common Reporting Standards (CRS), in addition to following up with the implementation of ISO 9001.

Information Security Department

The department manages the Company's security, defense and information security programs, as well as makes sure that information security policies are developed for the Company, reports are provided on the security status of information and databases, and any violations of company databases are monitored and reported as per ISO 27001 standards.

Internal Audit Department

The Internal Audit department examines, monitors and analyzes activities related to the context of financial and accounting operations within the Company, their conformity with international accounting standards and local laws and regulations in the country, and prepares periodic reports on internal audits.

CORPORATE GOVERNANCE

REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

Corporate Governance provides oversight and guidance at the corporate level as it defines the responsibilities, rights and relationships with all concerned parties while it identifies the rules and procedures necessary for making rational and informed decisions related to the operations of the companies as many studies have shown that there is strong and positive correlation between the rules and systems of corporate governance and the integrity of financial systems that are an essential element in the overall financial stability. Corporate Governance has an effective and positive impact on the management of companies through the adoption of principles of disclosure, transparency, accountability, resource management, competitiveness, efficiency and effectiveness, as well as enhancing the trust, supervisory process, oversight, and has a primary role in decision-making and conveying the message. Achieving the objectibes of any company or achieving real growth requires conducting a rigorous process and monitoring the operational system, the most important of which is the application of a set of laws, regulations and decisions aimed at achieving quality and excellence in the administrative performance.

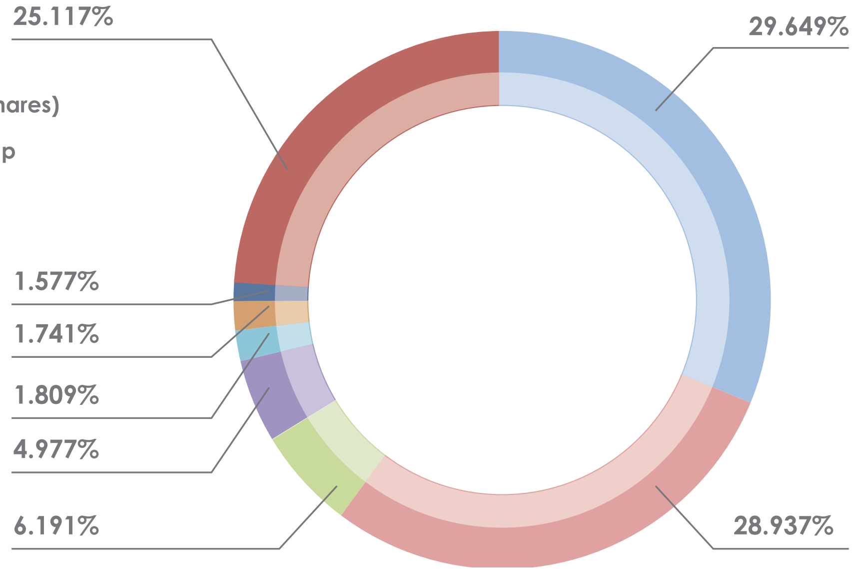
The State of Kuwait has adopted Corporate Governance as a platform for its future vision, the New Kuwait Vision 2035. It has not only activated the role of corporate governance, but also planned and started developing the pillars for corporate governance to include government institutions and the public sector. The Kuwait Transparency Society has also presented a proposal for a law to establish a governance system to support reforms and development plans, and to enhance transparency, integrity and anti-corruption.

Since implementing the rules of Corporate Governance and mandating them on listed and licensed companies to implement these rules, Warba Insurance was one of the first companies in Kuwait to comply with implementing the rules of a good governance as the Company believes in the objectives of corporate governance and has confidence that adherence to these rules will allow it to achieve the objectives of its strategies, work plans and vision.

The Capital Markets Authority has had an important and vital role in supervising the implementation of these rules and providing assistance and awareness to all companies and institutions that fall under its supervision, in order to enhance and develop the Kuwaiti economy, and support the pioneering role of the State of Kuwait as a financial and commercial center, which contributes significantly to achieving the future plans and visions of the country.

Shareholders' Information as of December 31, 2019

Shareholder	Number of shares	Percentage
The Arab Investment Company	51,230,885	29.649 %
Al Imad Real Estate Company	50,000,000	28.937 %
Warba Insurance Company (Treasure Shares)	10,698,171	6.191 %
Al-Fraih Financial Services Holding Group	8,600,000	4.977 %
Abdulrasool Hussein Mohammed Al-Ali	3,126,000	1.809 %
Ibrahim Abdulrahman Al-Asfoor	3,009,054	1.741 %
Al Barakah Kuwait General Trading & Contracting Company	2,725,725	1.577 %
Others	43,398,905	25.117 %
Total	**172,788,740**	**100 %**



Credit rating

#	Credit Agency		Rating	Rating by S&P	Outlook
1	STANDARD & POOR'S RATINGS SERVICES	Standard and Poor's	BBB	BBB	Negative

The Board of Directors

The Board of Warba Insurance Company comprises Directors whom hold a long and exhaustive experience in economics, insurance and finance, locally, regionally and internationally, bringing their experiences and skills together to for the benefit of the Company, avoiding conflicts of interest and protecting the rights and interest of shareholders and stakeholders.

The Board of Directors has adopted strategic objectives and action plans that would benefit the Company first and foremost. In turn, the approach benefits shareholders and stakeholders, and enhances the Company's long-standing strong position in the Kuwaiti economy.

The Board comprises seven non-executive Directors, while one is an independent Director. The Board of Directors of Warba Insurance is appointed by shareholders through an election held at the Ordinary General Assembly, and the tenure of each Director is limited to three years as per the Memorandum of Association, Articles of Association and in compliance with regulations issued by the Capital Markets Authority (CMA).

The Directors:

Mr. Anwar Jawad Bukhamseen	Chairman	Non-Executive
Sheikh / Mohammed Al-Jarrah Al-Sabah	Vice Chairman / Independent Director	Non-Executive
Mr. Raed Jawad Bukhamseen	Board Director	Non-Executive
Mr. Hazim Ali Al-Mutairi	Board Director	Non-Executive
Mr. Rifat Ghalayini	Board Director	Non-Executive
Mr. Rafid Al-Rifai	Board Director / Independent Director	Non-Executive
Mr. Mohammed Al-Mubaraki	Board Director / Independent Director	Non-Executive

Qualifications of the members of the Board:

Mr. Anwar Jawad Bukhamseen, Chairman:

Mr. Anwar Bukhamseen has extensive experience in banking, insurance and real estate investment. He has held many leadership positions during his career while he currently holds a number of senior positions including: Board Director at Kuwait International Bank, Board Director at Qatar First Bank, Consultant to the Board of Ritaj Takaful Insurance Company, Executive Member in the Board of Directors of Bukhamseen Holding Company, Board Director at Kuwait Catalysts Company and Member of Kuwait Industries Union. He completed his Bachelor's degree in Economics and Financial management from the Faculty of Commerce, Economics and Political Science at Kuwait University in 1995. He received a specialized degree in an executive program on foreign trade policies from Harvard University in 2005 and a specialized certificate from the Kuwait Foundation for the Advancement of Sciences (KFAS) on corporate governance and financial institutions.

Sheikh / Mohammed Al-Jarrah Al-Sabah, Vice Chairman:

Sheikh / Mohammed Al-Jarrah Al-Sabah has extensive experience in banking, insurance and real estate investment. He is the Chairman of Kuwait International Bank, Chairman of the Union of Arab Banks, Board Director of the Kuwait Banking Association, member of the Board of Trustees of the Arab Academy for Banking Sciences. He holds years of experience having held senior managerial positions in a number of leading firms in Kuwait, including the Kuwait Real Estate Investment Consortium, the Commercial Bank of Kuwait, the Kuwait Reinsurance Company, Salhia Real Estate Company and the Arab Insurance Group (Arig).

Mr. Raed Jawad Bukhamseen, Board Director:

Mr. Raed Bukhamseen has years of experience in investment, banking and business management. He is the Vice Chairman of the Kuwait International Bank, in addition to holding the position of chairman and being a member in other boards in leading companies including: Boukhamseen Holding Company, Arab Investment Company, Knet Banking Company, Egyptian Gulf Bank in Egypt, Layan Real Estate in Dubai, Souk Al-Salmiah Real Estate Company and Credit One Kuwait Holding Company. He holds a Bachelor's degree in Business Administration obtained in 1999 from Boston University in the United States of America, and holds specialized degrees in portfolio management, credit, and investment analysis.

Mr. Hazim Ali Al-Mutairi, Board Director:

Mr. Hazim Al-Mutairi has more than 25 years of experience in various sectors including finance, investment and treasury. He currently serves as a Board Director at Boubyan Bank as well as being CEO of Credit One Kuwait Holding Company. He graduated from the United States and holds a Bachelor's degree in Finance.

Mr. Rifat Ghalayini, Board Director:

Mr. Rifat Ghalayini has over 20 years' experience in the financial sector and holds a Bachelor's degree in Economics and Commerce, a Master's in Business Administration. He is a Certified Public Accountant (CPA) and an International Certified Valuation Specialist (ICVS). He also holds the position of Head of the Financial Sector at Bukhamseen Holding Group, Vice Chairman of the Arab Beverages Company (ABC), Vice Chairman of Al Emad Real Estate Company, and member of the Board of Directors of the Kuwait International Education Company (KIEC).

Mr. Rafid Al-Rifai, Board Director / Independent Director:
Mr. Rafid Al-Rifai has over 25 years of experience in the fields of finance, investment, supply of catalysts and chemicals to the oil and gas industry and catalyst manufacturing. He held several positions including Assistant General Manager and Managing Director of Abdullah Sayed Rajab Al-Rifai (Al-Rifai Group). He is currently the Executive Director of Abdullah Sayed Rajab Al-Rifai & Sons Trading & Contracting Company and Board Member of Kuwait Catalyst Company. He holds a Bachelor's Degree in Business Administration.

Mr. Mohammed Al-Mubaraki, Board Director / Independent Director:
Mr. Mohammed Al-Mubaraki has an extended experience of 25 years in the financial and real estate sectors. He was the Assistant General Manager for Asset Management in both Gulf International Investment Company and Al-Mal Investment Company. He also worked in stock trading in Al-Sahel Investment Company. He is currently the General Manager of Edarat Real Estate Company. He graduated from Kuwait University and holds a Bachelor's degree in Business Administration with a major in Finance, and has completed courses in anti-money laundering, financial analysis for investment decisions in financial markets, evaluation of the real and market value of stocks, portfolio management and investment funds, fundamentals and tools for investment in financial markets, and accounting.

2019 Board Meetings:

Meeting Reference Number	Meeting Date	Number of Attendees
(1/2019)	12/03/2019	6
(2/2019)	08/04/2019	7
(3/2019)	05/05/2019	5
(4/2019)	28/07/2019	4
(5/2019)	04/11/2019	4
(6/2019)	19/12/2019	6

Responsibilities of the Board of Directors:

- Adopt business strategies, plans and important policies, including:
  - The company's strategy and action plans, reviewing and guiding them.
  - The ideal capital structure for the Company and its financial objectives.
  - A set policy to distribute cash and non-cash dividend to benefit shareholders and the Company.
  - Performance indicators and evaluate the execution and overall performance of the Company.
  - Organizational structure of the Company and evaluate it every now and then.

- Adopt estimated annual budgets and interim and annual financial statements.

- Oversee major capital expenditures for the Company and the ownership and disposal of assets.

- Ensure the Company complies with policies, procedures and internal control systems relating to the Company.

- Verify the accuracy and credibility of the information and statements that need to be disclosed in line with the framework and policies of disclosures and transparency that are in effect.
- Identify communication channels to allow shareholders to review the Company's activities and milestones periodically.

- Implement a corporate governance system for the Company – which does not conflict with these rules – and perform general supervision and monitoring over the degree of its effectiveness and amend it when needed.

- Supervise the performance of each Director and the Executive Management based on set key performance indicators (KPIs).

- Prepare the annual report and financial statements of the Company annually, and include the Company's compliance with corporate governance regulations. The report should show regulations complied with, and those that were not complied with, as well as show reasons for not complying.

- Form committees; establish their work programs; determine their powers, duties, and responsibilities and delegate decision-making powers, defining the authority level to sign on behalf of the Company, as well as evaluate the performance of each committee and their main members.

- Ensure that policies and the structure of the Company is transparent and clear, which would allow for a process of decision making and achieving the principles of sound corporate governance and the segregation of powers and authorities between the Board of Directors and the Executive Management. The Board should be responsible of the following:
  - Supervise the development, implementation, and evaluation of work programs and procedures and verify their adequacy and appropriateness in view of the size and complexity of the operation.
  - Adopt a delegation of authority policy for the tasks entrusted to the Executive Management.

- Define the authorities that have been delegated to the Executive Management and the procedures of decision making and the duration of such delegation. The Board also defines the areas that it retains the authority to decide upon. The Executive Management is required to report on the authorities delegated to it on a periodical basis.

- Monitor and supervise the performance of Executive Management and ensure that they perform the roles entrusted to them, ensuring that the Executive Management is operating as follows:
  - Ensure that the Executive Management is operating according to the policies and regulations approved by the Board of Directors.
  - Hold periodical meetings with Executive Management to discuss the course of action and any challenges or issues, review and discuss important information related to the Company's activity.
  - Set performance standards for the Executive Management in line with the Company's objectives and strategy.

- Identify the remunerations that will be provided to the employees, such as fixed remunerations, performance and long-term risk-based remunerations as well as stock bonus remuneration.

- Appoint or dismiss any member of the Executive Management, including the Chief Executive Officer or anyone under him.

- Implement a policy organizing the relationship with stakeholders in order to protect their rights.

- Implement a mechanism to organize dealing with related parties, in order to limit and address any conflict of interest.

- Ensure, on a periodical basis, the effectiveness and adequacy of internal control systems applicable in the Company and the subsidiaries, as follows:
  - Verify the accuracy and credibility of the financial statements of the Company and of its business results to safeguard the rights of the shareholders.
  - Ensure that proper internal control systems are being implemented to evaluate and mitigate risks. This is done by identify risks, setting an environment that limits risks at the Company level, and communicating transparently with stakeholders and parties related to the Company.

Responsibilities of the Executive Management:

- Executing the various policies, regulations and the internal control procedures of the Company approved by the Board of Directors.

- Executing strategies and annual plans approved by the Board of Directors.

- Preparing periodical reports (financial and non-financial) regarding the progress of the Company's activity in light of the strategic plans and goals of the Company and presenting these reports to the Board of Directors.

- Implementing a complete accounting system that maintains ledgers, registers and accounts that presents accurately and in details the financial data and profit and loss accounts, which allows maintaining the Company's assets and preparing financial statements according to the international accounting standards approved by the Capital Markets Authority.

- Managing day to day activities of the business, as well as managing the Company's resources optimally and working on increasing profits and reducing expenditures in accordance to the objectives and strategies of the Company.

- Contribute effectively in the establishment and development of ethical standards in the Company.

Board Committees

The Board Committees are considered direct links between the Board of Directors and the Executive Management of the Company. These Committees support the

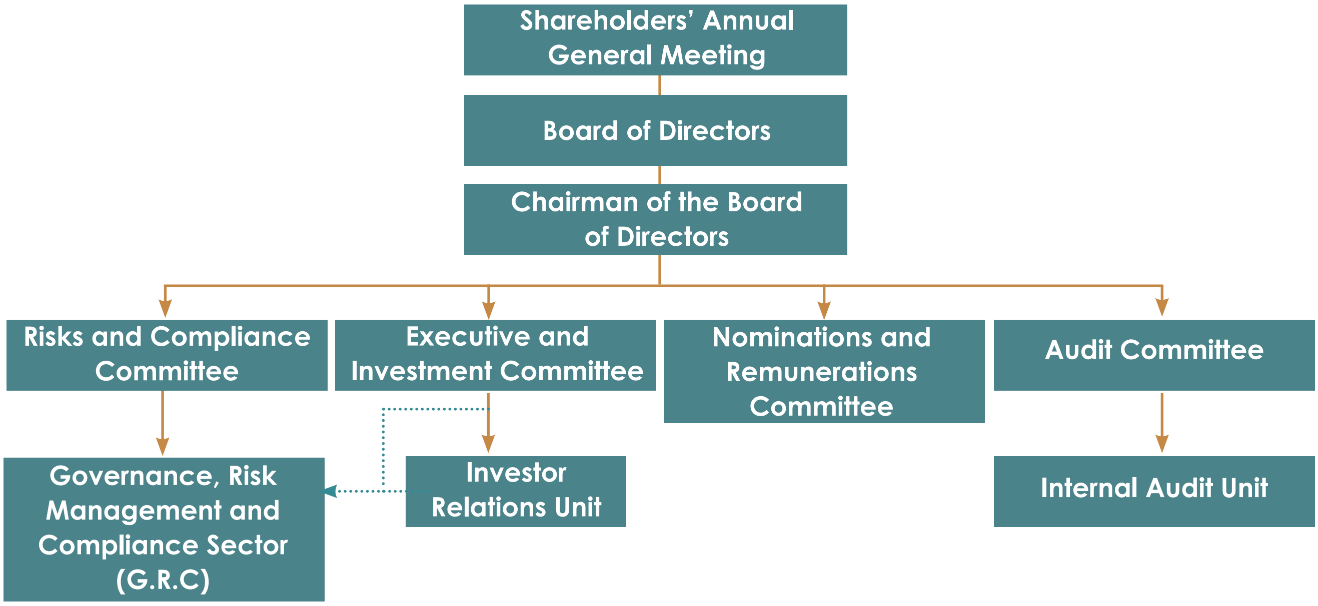
Board in supervising the operations of the Company and to give recommendations to be reviewed by the Board. The Board has laid down the detailed framework of these committees, identifying their roles and responsibilities, composition and meetings.

The Committees were formed based on the requirements outlined by the CMA. The Committees cover the managerial and technical operations of the Company to give the Board a full reporting on developments and enable the Board to take studied decisions, implement strategies and action plans that achieve the objectives of the Company.

The Board also forms temporary Committees that serve specific responsibilities periodically. These Committees are closed ones the responsibility is completed.

	Committee	Composition	Approval
1	Executive and Investment Committee	√	√
2	Audit Committee	√	√
3	Risks and Compliance Committee	√	√
4	Nominations and Remunerations Committee	√	√

Corporate Governance Organizational Structure:



Executive and Investment Committee

Composition

Member	Position	Number of Meetings
Mr. Anwar Jawad Bukhamseen	Chairman of Committee	3 Meetings
Sheikh Mohammed Al-Jarrah Al-Sabah	Member of Committee	
Mr. Raed Jawad Bukhamseen	Member of Committee	
Mr. Hazim Ali Al-Mutairi	Member of Committee	

Responsibilities

- Develop and recommend strategic plans in line with the Company's long-term objectives and priorities.
- Adopt, monitor and assess investment policies, as well as evaluate investment transactions.
- Supervise the Company's compliance with its estimated budget, compare the real performance indicator with the targeted performance indicator, and resolve discrepancies if any.
- Develop action plans in line with the objective of the Board of Directors, and recommend systems to implement them.
- Review investment opportunities.

Risks and Compliance Committee

Composition

Member	Position	Number of Meetings
Mr. Rifat Ghalayini	Chairman of Committee	7 Meetings
Mr. Rafid Al-Rifai	Member of Committee	
Mr. Mohammed Al-Mubaraki	Member of Committee	

Responsibilities

- Oversee the implementation of a unified vision to mitigate risks and ensure a consistent and highly efficient management of the risks facing the Company.
- Prepare and review risk management strategies and policies prior to their approval by the Board of Directors and ensure that these strategies are implemented, are suitable with the size of the Company's activities and affirm the independence of the Board from the Executive Management.
- Oversee the development of the strategic plans and approved policies that reflect the Company's long-term objectives and priorities.
- Assist the Board of Directors in identifying and assessing the acceptable level of risks in the Company and evaluate the systems and mechanisms for identifying, measuring, and monitoring the different types of risks that the Company may be exposed to.
- Monitor and evaluate the efficiency and quality of investment operations in accordance to the Company's strategic plans and objectives and the returns that they provide.
- Study and review the Company's risk assessment reports and the measures taken to reduce or address those risks within the range of acceptable and approved risk ratios against the expected benefits.
- Review and approve guidelines for policies and procedures for managing risks.
- Monitor the implementation of the Company's internal policies, procedures and regulations.
- Ensure that all operations are progressing in accordance with the plans, objectives and general strategy of the Company.
- Monitor the financial solvency of the Company.

Audit Committee
Composition

Member	Position	Number of Meetings
Mr. Rifat Ghalayini	Chairman of Committee	6 Meetings
Mr. Raed Jawad Bukhamseen	Member of Committee	
Mr. Rafid Al-Rifai	Member of Committee	

Responsibilities

- Review the financial statements before submitting to the Board of Directors along with its recommendations in this regard to the Board of Directors to ensure fairness and transparency in the financial statements.
- Recommend to the Board of Directors the appointment and reappointment of external auditors, change or determine their fees, and when recommending appointment, consideration shall be given to ensuring their independence and review their letters of appointment.
- Review external auditors and ensure that they do not provide services to the Company except for services required by the auditing profession.
- Study the external auditors' observations about the Company's financial statements and follow up on what has been done in this regard.
- Review the accounting policies employed and provide opinion and recommendation to the Board of Directors regarding them.
- Evaluate the adequacy of the internal control systems applied within the Company and report on the opinion and recommendations of the Committee in this regard.
- Provide technical supervision on the Company's internal audit department in order to verify its effectiveness in carrying out the tasks specified by the Board of Directors.
- Recommend the appointment of the internal audit director, his transfer, removal, evaluate the performance and the performance of the internal audit department.
- Review and approve the audit plans proposed by the internal auditor, and make their observations thereon.
- Review the results of the internal audit reports, and ensure that the necessary corrective actions have been taken regarding the notes in the reports.
- Review the results of the reports of the regulatory authorities and ensure that the necessary measures have been taken in their regard.

Nominations and Remunerations Committee
Composition

Member	Position	Number of Meetings
Mr. Raed Jawad Bukhamseen	Chairman of Committee	3 Meetings
Mr. Rifat Ghalayini	Member of Committee	
Mr. Hazim Ali Al-Mutairi	Member of Committee	

Responsibilities

- Ensure that the most qualified, experienced and skilled staff are nominated to vacancies in accordance with the standards of competencies and integrity.
- Recommend the recruitment of qualified professionals at the level of senior management on the basis of policies and standards adopted at the Company.
- Nominate candidates to be elected at the Annual General Meeting of Shareholders for the role of Director or member of a committee based on the regulations of transparency and efficiency, including independent members.
- Determine the Company’s needs for qualified staff at the level of executive management.
- Formulate and review annually the policy on job scales, granting remuneration, benefits, incentives and salaries to employees of the Company.
- Implement policies and procedures for remunerations and rewards.
- Prepare the policy for remunerations allocated to the Board of Directors and their committees.
- Prepare an annual report on rewards granted to the Board of Directors and the Executive Management, and present it for approval to the Annual General Meeting of Shareholders.

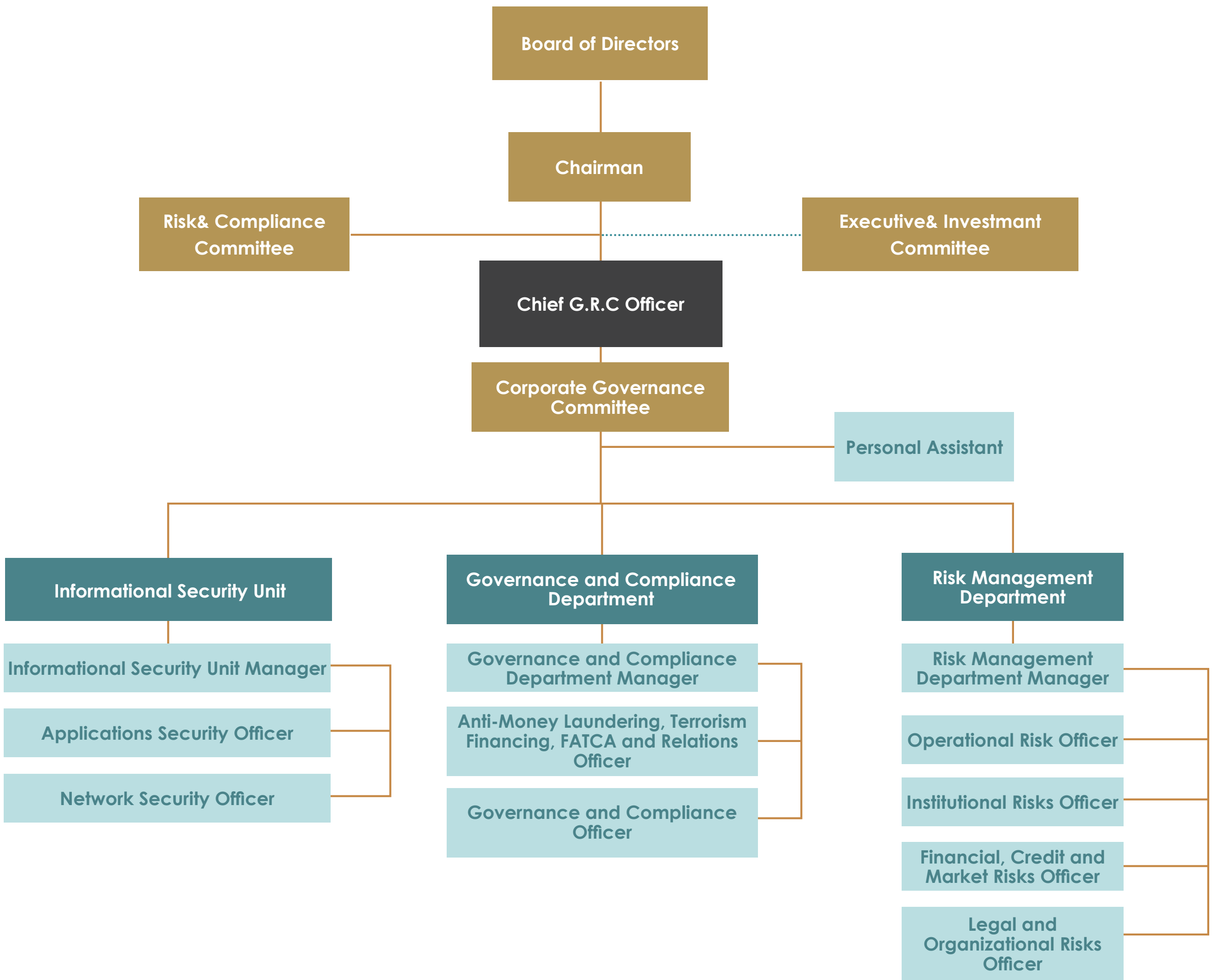
The Governance, Risk Management and Compliance (G.R.C) Sector:

In recognition of the importance of internal control and its vital role in financial institutions, the Board of Directors has approved the formation of the Corporate Governance, Risk and Compliance Sector as a first in the State of Kuwait and the GCC since 2013. The Sector has a set of laws and regulations which governs it which are in accordance with the best international practices in this field. The Sector has been for six consecutive years a point of trust in maintaining the internal control functions of the Company.

Internal control systems are one of the most important, if not the most important one, in a company. The internal control unit supervises the Company’s operations to avoid and mitigate current and future institutional risks, whether administrative, technical or financial. It also develops the Company's business in accordance with the best international practices through long-term strategic plans (administrative, technical and financial), policies and procedures needed by the Company, and oversees the application of various policies and procedures to best use the resources available at the Company, while applying the mandatory requirements by regulatory bodies.

As part of its belief in the importance of internal control and its significance in institutions, the Board of Directors has entrusted this vital task to the sector of Governance, Risk Management and Compliance which has constantly upheld the trust of the Board in the role entrusted to it.

The Organizational Structure of the G.R.C Department and its Responsibilities:



Responsibilities of the G.R.C Department:

Risk Management Department:

- Implement the vision to mitigate risks at the corporate level, in order to ensure a consistent and efficient management of any risk facing the Company.
- Provide strategic guidance and adopt strategic risk initiatives.
- Develop strategic plans in adequacy with the long-term objectives and priorities of the Company.
- Supervise the implementation of strategies and policies approved by the Board of Directors.
- Monitor financial and operational results and compare them with plans and objectives set as well as the estimated budget.
- Monitor the efficiency and quality of investment operations and returns from these operations in adequacy with the plans and objectives of the Company.
- Submit periodic reports on the exposure to risk and procedures to avoided and mitigate risks.
- Set and measure the adequacy and efficiency of evaluation methodologies and risk assessment in the Company.
- Ensure the adequacy of liquidity and funding and the strength of the financial solvency of the Company.

- Evaluate and follow-up on the Company's investment and market risks.
- Evaluate and follow-up on technical risks within the Company.
- Evaluate and follow-up on operational risks facing the Company.
- Provide and deliver information to credit rating agencies.
- Prepare the strategic objectives based on the risks of the work plans.
- Ensure capital adequacy and financial solvency.
- Prepare risk appetite studies.
- Prepare due diligence reports.
- Prepare reports on risk limits for each insurance type.
- Prepare and implement plans and precautionary measures to safeguard the Company against changing conditions.
- Manage ISO 31000.

Corporate Governance and Compliance Department:

- Ensure the Company's commitment to work through the legal framework in conformity with the principles of corporate governance in accordance to the policies and procedures necessary for the development.
- Organize Board and committees' work.
- Organize the Annual General Meeting of Shareholders agenda.
- Ensure the Company complies with legal and regulatory obligations as required by regulatory authorities.
- Review activities concerning anti-money laundering and terrorism financing, and place policies and regulations to manage these activities.
- Follow-up on regulations relating to the Foreign Account Tax Compliance Act (FATCA) and develop of policies and procedures to its implementation.
- Follow-up on the Common Reposting Standard (CRS) and develop of policies and procedures to its implementation.
- Develop and update policies and procedures of various departments in the Company.
- Prepare progress reports and apply internal policies and procedures.
- Supervise the implementation of ISO 9001:2015 quality standards in all operations.

Investor Relations Unit:

- Make information and reports needed available to current and potential investors.
- Enhance open dialogue channels and encourage the exchange of information to enable investors and financial analysts to gain insights into the Company's strengths and future prospects.
- Provide a vision based on the highest standards of transparency and reliability and provide access to the latest information.
- Provide comprehensive disclosures on financial performance mandated by Boursa Kuwait, including quarterly reports, disclosures, profit statements and presentations to the business and investment community.

Information Security and Risk Unit:

- Manage information security programs in information centers and website.
- Develop IT security policies in accordance with international standards.
- Develop specifications and standards for technologies and programs used in order to protect information sent by departments and units of the Company.
- Develop policies to manage issues relating to information security in order to resolve the issue in the shortest time when they occur.
- Spread awareness and a culture of information security to employees.
- Conduct quality control assessments to ensure the network and systems are protected.
- Stay up-to-date with the latest development to identify technologies and programs required to improve the working environment and security.
- Review and evaluate the security policy, as well as develop it.
- Ensure protection tools are installed on hardware and software in all information centers.
- Ensure all computers are equipped with effective protection programs.
- Present reports on the information security status to decision makers.
- Monitor the efficiency and effectiveness of security systems used.
- Ensure implementation of the ISO 27001:2013 quality standards for IT.

Quality Management System:
Quality Management (ISO 9001):

Warba Insurance maintained the highest administrative quality in all of its business and committed to the international standards for quality management systems "ISO 9001" as it focuses on high performance and quality levels in accordance with those standards to provide high quality services to its customers.

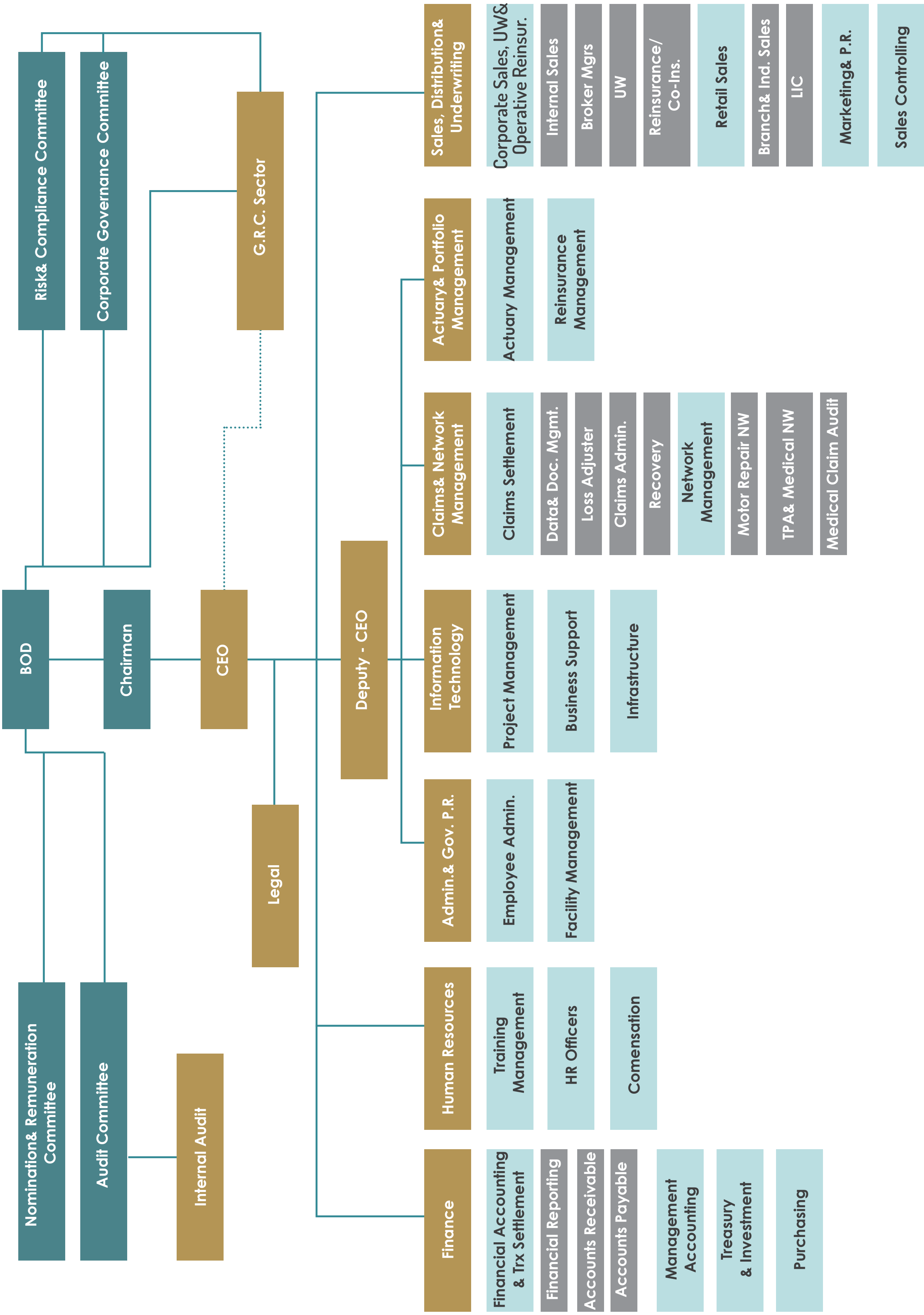
Warba Insurance earned the quality management systems certification ISO 9001:2008 over the past nine years, ultimately earning the ISO 9001:2015 based on the most recent international standards. The Company received the certification thanks to the support provided by the Board of Directors, its committees and Executive Management, whom ensure business quality management system continuity within the Company, which is reflected on the services provided to its customers, and maintaining Warba's pioneering position and leadership in the Kuwaiti insurance market, in which it is the first insurance Company to have received such an international recognition, and one of the first companies in Kuwait to join the Standardization Organization for the Gulf Cooperation Council.

Information Security Quality (ISO 27001):

Staying abreast of operations performed online, Warba Insurance has protected its business rules and databases from aggressive cyberattacks from around the world by renewing its commitment to protecting customers' interest and upholding the quality of services provided to our partners in success.

In order to maintain its leadership and excellence, the Company has obtained the ISO 27001:2013 certification, adding to its series of success in managing its internal organization and confirming the security and trust in every aspect of its business.

The Organizational Structure:



Board Report on the Internal Control System:

The Board of Directors of Warba Insurance is liable of evaluating the efficiency of the Company's internal control systems to ensure efficiency of operations, quality of internal and external reporting, as well as to comply with laws and regulations. The upper management is responsible for implementing the internal control systems, and to maintain it in order to manage risks that could hinder the Company's objectives. The internal control system provides balanced guarantees to avoid risks that could generate serious losses to the Company.

The Board of Directors has adopted an organizational structure in line with the Company structure and systems. It has also adopted job descriptions outlined roles and responsibilities, policies and regulations for tasks and operating procedures. These policies and regulations identifies the duties and responsibilities, the authorities and the reporting system for each department, so as to achieve a dual control and tasks divisions that avoid duplicating roles.

The Board of Directors consistently reviews policies and the internal control system in cooperation with the higher management and internal control employees (which include the internal auditing unit, and the governance, risks and compliance departments). The review allows room for improvements, and evaluates risks and challenges. The Board of Directors also ensures that internal control jobs are well positioned in the Company, are well staffed and have sufficient resources to fulfill their responsibilities independently and efficiently.

The upper management has also taken the necessary step to implement the new regulations of corporate governance issued by CMA. These regulations include an update on authorities outlined in the corporate governance list, preparing new documents and procedures necessary to implement these regulations.

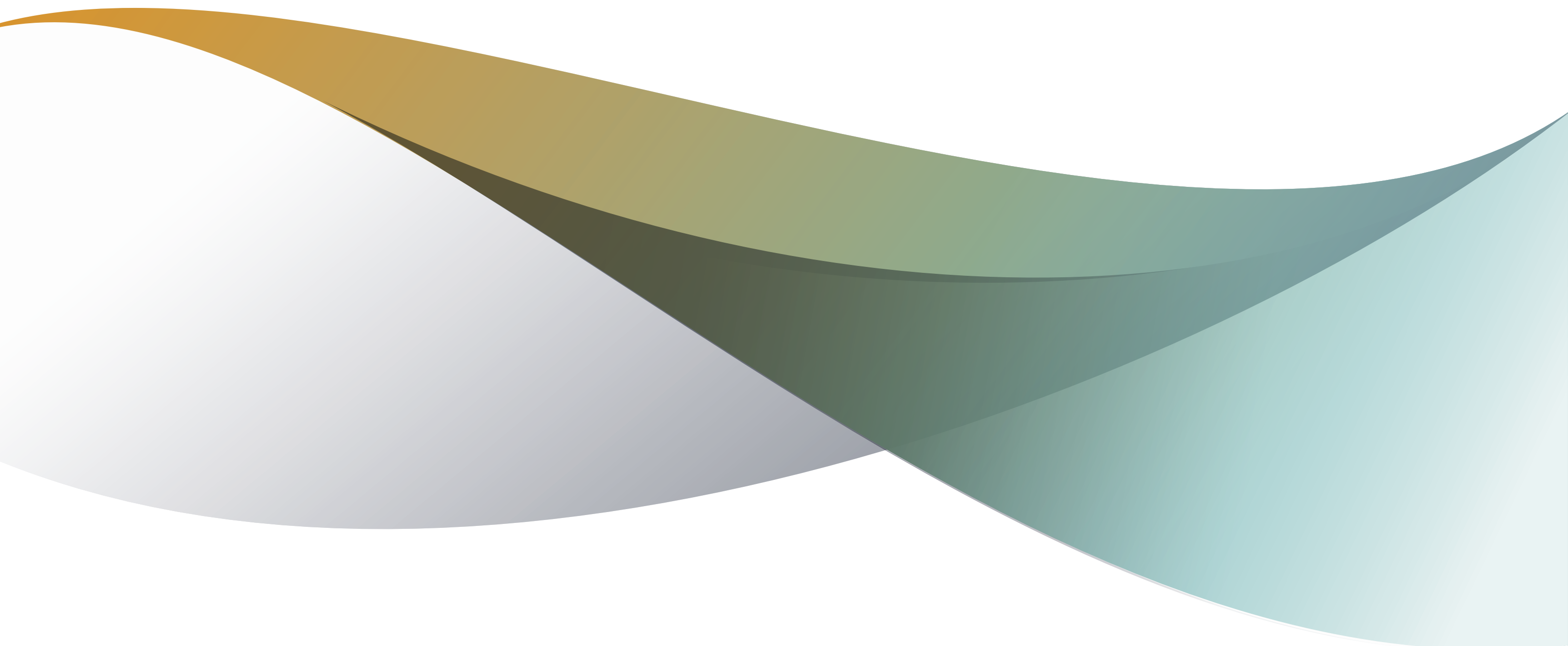
The efficiency of the internal control systems is periodically reviewed by the Board of Directors and it committees. The Board and committees review reports prepared by the Governance, Risk Management and Compliance Sector and the Internal Auditing Unit in the Company.

The higher management reviewed the internal control systems on December 31, 2019, confirming that is coherent and provides balanced guarantees in order to achieve the Company's goals.

The Company has also recruited an external audit consultant (in accordance with Article 6-9 of the Corporate Governance Guidelines) to review the adequacy of the Company's internal control systems and prepare the ICR report, which is presented to the CMA on an annual basis.

Report of the Audit Committee for the year ended December 31, 2019:

The Audit Committee met six times in 2019 and carried out all its functions in accordance with the Charter of the Committee and the Organization's instructions, covering all the activities of the Company and its organizational structure in accordance with the approved audit plan. The Board of Directors adopted all the recommendations of the Committee and there were no contradictions noted.



CONSOLIDATED FINANCIAL STATEMENT

REPORT FOR THE YEAR ENDED
DECEMBER 31, 2019

WARBA INSURANCE COMPANY K.S.C.P.
AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

الكويت في 2020/03/19

إقرار وتعهد

(بسلامة ونزاهة البيانات المالية)

نقر و نتعهد نحن رئيس و أعضاء مجلس إدارة شركة وربة للتأمين (ش. م. ك. ع) ، بدقة و سلامة البيانات المالية التي تم تزويد المدققين الخارجيين بها ، و بأن جميع التقارير المالية للشركة قد تم عرضها بالصورة العادلة و الصحيحة و تشمل كافة الجوانب المالية للشركة من بيانات و نتائج تشغيلية ، و تم إعدادها وفقاً لمعايير المحاسبة الدولية المطبقة في دولة الكويت و المعتمدة من قبل هيئة أسواق المال ، و أن تلك البيانات تعبر بدقة عن المركز المالي للشركة كما في نهاية العام المالي المنتهي في 31 ديسمبر 2019 ، و ذلك بناءاً على ما تم تقديمه لمجلس إدارة الشركة من معلومات و تقارير من قبل الإدارة التنفيذية و مدققي الحسابات و بذل العناية الواجبة للتحقق و التأكد من سلامة و صحة هذه التقارير .

إسم العضو	المنصب	التوقيع
السيد / أنور جواد بوخمسين	رئيس مجلس الإدارة	....
الشيخ / محمد جراح الصباح	نائب رئيس مجلس الإدارة	....
السيد / رائد جواد بوخمسين	عضو مجلس الإدارة	....
السيد/ حازم المطيري	عضو مجلس الإدارة	....
السيد / رفعت غلاييني	عضو مجلس الإدارة	....
السيد / رافد الرفاعي	عضو مجلس الإدارة (مستقل)	....
السيد / محمد المباركي	عضو مجلس الإدارة (مستقل)	....

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Warba Insurance Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

We identified the following key audit matters:

a) Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts are significant to the Group's consolidated financial statements as at 31 December 2019. The determination as to whether a receivable is collectable involves significant management judgement. Management considers specific factors, which include the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a allowance for impairment is required either for a specific transaction or for a customer's balance.

We determined this to be a key audit matter because it requires a high level of management judgement and due to the materiality of the amounts involved.

Our audit procedures included evaluating the ageing analyses of receivable balances where no allowance for impairment was recognised, to assess whether there are any indicators of impairment. This included verifying if payments had been received subsequent to the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates.

We selected a sample of receivable balances where allowance for impairment of receivables was recognised and inquired about the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements, we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments have been received up to the date of completing our audit procedures. We also corroborated evidences including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Recoverability of receivables arising from insurance and reinsurance contracts (continued)

By performing the procedures mentioned above, we also assessed management's rationale where allowances for impairment were recognised on transactions that were not overdue as at the reporting date.

Further, we assessed the adequacy of disclosures relating to the receivables arising from insurance and reinsurance contracts given in Note 9 to the consolidated financial statements.

b) Insurance Contract Liabilities

Insurance contract liabilities include: ("Outstanding Claims reserve" or "OCR"), ("Unearned Premiums Reserve" or "UPR"), ("Life Mathematical Reserve" or "LMR") and ("Incurred But Not Reported reserve" or "IBNR"). Insurance contract liabilities are significant to the Group's consolidated financial statements as at 31 December 2019. As disclosed in Note 2.5 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities. The Group uses different models to calculate the insurance contract liabilities. The Group uses valuation models to support the calculations of the insurance and reinsurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.

Actuarial assumptions such as mortality, morbidity and customer behavior, along with Groups historical claims data are key inputs used to estimate these long-term liabilities. Due to the significance of estimation uncertainty associated with the determination of the insurance contract liabilities, this is considered a key audit matter.

The Group uses the work of a management's specialist, and an external independent actuary for the determination of Insurance contract liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's specialist and external independent actuary and evaluating their work, which involved analysing the rationale for the economic and actuarial assumptions used by the managements of the Group along with comparison to applicable industry benchmarks. Our internal actuarial specialists were part of our audit team to assist us in evaluating the key inputs and assumptions.

In addition, we have performed test of controls in place, checked the design and the operating effectiveness of key controls. We have also performed substantive analytical procedures, and tested on a sample basis the accuracy of the historical data used, and reasonableness of assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis whenever required, in the context of both the Group and industry experience and specific product features. We further evaluated the adequacy of disclosures relating to insurance contract liabilities in Note 16 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2019 Annual Report

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulation, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

19 March 2020
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
Revenues:			
Gross premiums written		**29,679,000**	28,552,109
Premiums ceded to reinsurers		**(14,569,096)**	(14,281,821)
Net premiums written		**15,109,904**	14,270,288
Movement in unearned premiums reserve		**(261,188)**	(372,145)
Movement in life mathematical reserve		**(122,415)**	390,732
Net premiums earned		**14,726,301**	14,288,875
Commissions income earned on ceded reinsurance		**1,351,334**	1,016,876
Policy issuance fees		**180,608**	186,058
		16,258,243	15,491,809
Expenses:			
Net claims incurred	16	**(9,722,803)**	(9,081,876)
Commissions and premiums' acquisition costs		**(1,947,130)**	(1,783,007)
General and administrative expenses		**(4,774,001)**	(4,779,004)
		(16,443,934)	(15,643,887)
Net underwriting loss		**(185,691)**	(152,078)
Net investment income	3	**1,664,671**	711,024
Other insurance services income		**516,662**	384,527
Foreign currency exchange differences		**39,666**	24,380
Other income		**93,088**	62,390
Share of results of associates	6	**294,990**	510,380
		2,423,386	1,540,623
Other expenses:			
Other insurance services expense		**(745,123)**	(754,549)
Allowances for impairment for doubtful and bad debts	9	**(500,000)**	(154,847)
		(1,245,123)	(909,396)
Profit before contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST) and Zakat		**1,178,263**	631,227
Contribution to KFAS		**(10,504)**	(7,428)
NLST		**(28,210)**	(15,656)
Zakat		**(9,601)**	(5,588)
PROFIT FOR THE YEAR		**1,129,948**	602,555
Attributable to:			
Equity holders of the Parent Company		**1,170,379**	781,524
Non-controlling interest		**(40,431)**	(178,969)
		1,129,948	602,555
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	4	**7.22 fils**	4.82 fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
Profit for the year		**1,129,948**	602,555
Other comprehensive income (loss):			
Items that are or may be reclassified to the consolidated statement of income in subsequent periods:			
- Net unrealised gain of financial assets available for sale		**941,681**	1,975,896
- Impairment loss on financial assets available for sale		-	68,879
- Loss (gain) on sale of financial assets available for sale	3	**93,089**	(11,000)
- Share of other comprehensive loss of associates	6	-	(3,953)
Other comprehensive income for the year		**1,034,770**	2,029,822
Total comprehensive income for the year		**2,164,718**	2,632,377
Attributable to:			
Equity holders of the Parent Company		**2,205,149**	2,811,346
Non-controlling interests		**(40,431)**	(178,969)
		2,164,718	2,632,377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*31 December 2019 KD*	*31 December 2018 KD*
ASSETS			
Property and equipment	5	**7,302,192**	7,379,487
Investment in associates	6	**7,565,095**	7,270,105
Loan secured by life insurance policies		**26,491**	22,650
Financial assets available for sale	7	**20,445,323**	17,112,761
Financial assets at fair value through profit or loss	8	**7,911,186**	6,904,762
Reinsurance share in outstanding claims reserve	16	**49,202,692**	34,146,156
Insurance and reinsurance receivables	9	**13,503,821**	19,388,324
Other assets	10	**6,097,469**	6,802,562
Fixed deposits	11	**6,671,600**	6,675,057
Bank balances and cash	12	**414,143**	2,120,067
TOTAL ASSETS		**119,140,012**	107,821,931
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**17,278,874**	17,278,874
Statutory reserve	14	**8,781,109**	8,781,109
General reserve		**4,000,000**	4,000,000
Voluntary reserve	14	**764,895**	764,895
Treasury shares	15	**(1,275,970)**	(1,275,970)
Treasury shares reserve		**164,760**	164,760
Cumulative changes in fair values reserve		**6,441,441**	5,406,671
Retained earnings		**1,951,903**	781,524
Equity attributable to equity holders of the Parent Company		**38,107,012**	35,901,863
Non-controlling interests		**(29,147)**	11,284
Total equity		**38,077,865**	35,913,147
Liabilities			
Bank overdraft	12	**-**	202,818
Insurance contract liabilities	16	**65,285,130**	52,202,771
Insurance and reinsurance payables	17	**9,177,949**	13,727,043
Other liabilities	18	**6,599,068**	5,776,152
Total liabilities		**81,062,147**	71,908,784
TOTAL EQUITY AND LIABILITIES		**119,140,012**	107,821,931

Anwar Jawad Bu-Khamseen
Chairman

Sheikh Mohammed Jarrah Sabah Al-Sabah
Vice Chairman

WARBA INSURANCE
وربـــة للتأميـن

Warba Insurance Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to equity holders of the Parent Company										
	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative changes in fair values reserve KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	5,406,671	781,524	35,901,863	11,284	35,913,147
Profit (loss) for the year	-	-	-	-	-	-	-	1,170,379	1,170,379	(40,431)	1,129,948
Other comprehensive income	-	-	-	-	-	-	1,034,770	-	1,034,770	-	1,034,770
Total comprehensive income (loss) for the year	-	-	-	-	-	-	1,034,770	1,170,379	2,205,149	(40,431)	2,164,718
As at 31 December 2019	**17,278,874**	**8,781,109**	**4,000,000**	**764,895**	**(1,275,970)**	**164,760**	**6,441,441**	**1,951,903**	**38,107,012**	**(29,147)**	**38,077,865**
As at 1 January 2018	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	3,376,849	-	33,090,517	190,253	33,280,770
Profit (loss) for the year	-	-	-	-	-	-	-	781,524	781,524	(178,969)	602,555
Other comprehensive income	-	-	-	-	-	-	2,029,822	-	2,029,822	-	2,029,822
Total comprehensive income (loss) for the year	-	-	-	-	-	-	2,029,822	781,524	2,811,346	(178,969)	2,632,377
As at 31 December 2018	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	5,406,671	781,524	35,901,863	11,284	35,913,147

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST and Zakat		**1,178,263**	631,227
Adjustments to reconcile profit for the year to net cash flows:			
Unrealised gain of financial assets at fair value through profit or loss	3	**(436,977)**	(11,316)
Loss (gain) on sale of financial assets available for sale	3	**93,089**	(11,000)
Impairment loss on financial assets available for sale	3	**-**	268,879
Allowances for impaired receivables	9	**500,000**	154,847
Foreign currency exchange differences		**8,759**	(6,000)
Dividend income	3	**(900,561)**	(627,838)
Interest income	3	**(420,222)**	(329,749)
Share of results of associates	6	**(294,990)**	(510,380)
Depreciation of property and equipment	5	**213,000**	271,456
Provision for employees' end of service benefits		**259,829**	317,276
		200,190	147,402
Changes in operating assets and liabilities:			
Reinsurance share in outstanding claims reserve		**(15,056,536)**	(16,947,370)
Insurance and reinsurance receivables		**5,384,503**	1,042,251
Other assets		**868,118**	(2,751,849)
Insurance contract liabilities		**13,082,359**	19,043,340
Insurance and reinsurance payables		**(4,549,094)**	(2,574)
Other liabilities		**759,988**	(248,430)
Cash flows from operations		**689,528**	282,770
Employees' end of service benefits paid		**(245,216)**	(319,698)
Net cash flows from (used in) operating activities		**444,312**	(36,928)
INVESTING ACTIVITIES			
Net movement in fixed deposits		**3,457**	(10,465)
Purchase of financial assets at fair value through profit or loss		**(569,447)**	-
Purchase of financial assets available for sale		**(2,440,759)**	-
Proceeds from sale of financial assets available for sale		**41,119**	11,000
Movement on loans secured by life insurance policies		**(3,841)**	5,284
Purchase of property and equipment		**(135,705)**	(7,132)
Dividends received		**900,561**	818,980
Interest income received		**257,197**	329,749
Net cash flows (used in) from investing activities		**(1,947,418)**	1,147,416
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,503,106)**	1,110,488
Cash and cash equivalents at 1 January		**1,917,249**	806,761
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**414,143**	1,917,249

1 CORPORATE INFORMATION

The consolidated financial information of Warba Insurance Company K.S.C.P. (the "Parent Company") and its subsidiary – WAPMED TPA Services Company K.S.C.C. (collectively "the Group") for the year ended 31 December 2019 were authorised for issuance with a resolution of the Board of Directors on 19 March 2020. The general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The Parent company is a subsidiary of Bu-Khamseen Holding Company (the "Ultimate Parent Company").

The Parent Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The Parent Company has been engaging in various insurance and reinsurance activities, as set forth in the parent Company's Articles of Association. The Parent Company's registered head office address is at P. O. Box 24282, Safat 13103, Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets available for sale and financial assets at fair value through profit and loss that have been carried at fair value.

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

Further, certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications were made in order to more appropriately present certain items of consolidated statement of income, consolidated statement of financial position and consolidated statement of cash flows, and disclosures. Such reclassifications do not affect previously reported equity and profit for the year.

As permitted by IFRS 4 Insurance Contracts, the Group continues to apply the accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard subsequent to adoption for its insurance contracts.

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in the respective notes, if any.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiary as at 31 December 2019. Subsidiary is an investee that the Group has control over.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Parent Company's voting rights and potential voting rights

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial information of subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income.

Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent measurement takes place at fair value with changes in fair value recognised in the consolidated statement of income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
Disclosures relating to impairment of non-financial assets are summarised in the following notes:
a) Disclosures for significant assumptions Note 2.5

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

The following criteria are also applied in assessing impairment of goodwill:

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised.

Previously recorded impairment losses for goodwill are not reversed in future periods.

Product classification
Insurance contracts
Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Product classification (continued)
Investment contracts
Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a non–financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Deferred Acquisition Costs (DAC)
Those direct and indirect costs incurred during the financial period arising from the acquiring or renewals of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums from insurance contract.

Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts. These costs are subsequently amortised over the terms of the insurance contracts to which they relate, in line with the line of business premiums earned.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the consolidated statement of income.

Property and equipment
Property and equipment, including owner-occupied property is stated at cost, excluding the costs of day-to-day Servicing, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Replacement or major inspection costs are capitalised when incurred, if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

• Buildings	35 years
• Furniture and equipment	5 years
• Computers	5 to 8 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiary. The Group's investment in associates is accounted for using the equity method.

Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of the associates is presented as part of the other comprehensive income of the Group. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The aggregate of the Group's share of result of an associate is included in the consolidated statement of income.

The financial statements of the associates are prepared for the same reporting period as the Group or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the impairment loss of investment in associates in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include "financial assets available for sale", "financial assets at fair value through profit or loss" and "receivable balances". During the year and as at 31 December, the Group did not have any derivatives instruments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

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

Financial assets available for sale
Financial assets available for sale "AFS" include equity investments and debt securities. Equity investments classified as financial assets available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited or debited to the financial assets available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of income as gain or (loss) of financial assets available for sale , or the investment is determined to be impaired, when the cumulative loss is reclassified from the financial assets available for sale reserve to the consolidated statement of income as impairment in financial assets available for sale. Interest earned whilst holding financial assets available for sale is reported as interest income. Dividends earned whilst holding available for sale investments are recognised in the consolidated statement of income as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from available for sale investments reserve the consolidated statement of income.

The Group evaluates whether the ability and intention to sell its financial assets available for sale in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

Financial assets available for sale when fair value cannot be reliably measured, are carried at cost less impairment loss, if any.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and non-trading financial assets designated upon initial recognition as at fair value through statement of income. Financial assets at fair value through profit or loss are remeasured at fair value with all changes in fair value being recorded in the consolidated statement of income. Transaction costs associated with the acquisition of financial assets at fair value through profit or loss are expensed as incurred.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in consolidated statement of income.

Non-trading financial assets may be designated at initial recognition as financial assets designated as at fair value through statement of income if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a Group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment and risk management strategy.

The Group evaluated its financial assets at fair value through profit or loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through consolidated statement of income using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Receivable balances
Receivable balances are stated at their face value less impairment losses or allowance for doubtful accounts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)
Fixed deposits
Fixed deposits are deposits with an original maturity of more than three months but less than one year.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances, deposits with an original maturity of less than three months and bank overdrafts.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group has retained.

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 Group could be required to repay.

(ii) Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include borrowings and payables. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Subsequent measurement
Subsequent measurement of financial liabilities depends on their classification, as follows:

Interest bearing loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

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

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

Fair value measurement
The Group measures financial instruments such as available for sale investments, financial assets through profit or loss, at fair value at each reporting date.

Fair value is 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:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
Assets, liabilities and equity items for which fair value is measured or disclosed in the consolidated 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.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

b)	Disclosures for significant accounting judgements, estimates and assumptions	Note 2.5
c)	Financial instruments	Note 25
d)	Quantitative disclosures of fair value measurement hierarchy	Note 25

Reinsurance contracts held
The Group cedes insurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract/agreement.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance risk assumed
The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3, have been met.

Bank balances and cash and Fixed deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks, on hand and in portfolios, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with a maturity of three months or less, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve and accumulated losses brought forward should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat
Contribution to Zakat is calculated in accordance with the requirements of Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group *as a lessee*
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of use assets
The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life. Right of use assets are subject to impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a changes in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group *as a lessor*
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currencies
Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of income are also recognised in other comprehensive income or consolidated statement of income, respectively).

Cash dividend to equity holders of the Parent Company
The Parent Company recognises a liability to make cash distributions to equity holders of the Parent Company when the distribution is authorised and it is no longer at the discretion of the Parent Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Life insurance contract liabilities
Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured using the net premium level method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, if any, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, as determine by the Group's actuary. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the consolidated statement of income in 'Gross change in contract liabilities'. The liability is derecognised when the contract expires, is discharged or cancelled.

Non-life insurance contract liabilities
Non-life insurance contract liabilities include the outstanding claims provision and the provision for unearned premium.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data, historical data, based on previous experience and current assumptions that may include a margin for adverse or positive deviation. In specific cases, independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

Insurance payables
Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the EIR method.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Gross premiums

Insurance premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy becomes effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense.

Premiums relating to the expired risk period is taken as earned and recognised as revenue for the year while premium relating to the unexpired risk period is treated as a reserve for unexpired risks.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on proportion basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Reinsurance premiums on life are recognised as an expense on the earlier of the date when premiums are payable or on the date on which the policy becomes effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts and calculated on proportion basis.

Reinsurance premiums and claims on the face of the consolidated statement of income have been presented as negative items within premiums and claims, respectively, because this is consistent with how the business is managed.

Fees and commission income

Insurance and investment contracts policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset. Interest is included in the net investment income in the consolidated statement of income.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Net realised gains and losses

Net realised gains and losses recorded in the statement of income include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value of the investments and are recorded on occurrence of the sale transaction.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gross claims

Gross claims for life insurance contracts include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost

Interest paid is recognised in the consolidated statement of income as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liability.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Employees' end of service benefits

The Group provides end of service benefits to all of its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Treasury shares

Treasury shares consist of the Group's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (Treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Liability adequacy test

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

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

Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16: Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a Lease,* SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Summary of new accounting policies

The accounting policies of the Group upon adoption of IFRS 16 are as follows:

- Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16: Leases (continued)

Summary of new accounting policies (continued)

➢ Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

➢ Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group has adopted IFRS 16 'Leases' ("IFRS 16") for the first time effective as of 1 January 2019. Management assessed that the Group has only short-term leases and leases of low-value assets. Therefore, the adoption of this new standard has no impact on the consolidated financial statements of the Group.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) Judgement

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

Classification of investments

Classification of investments is based on management's intention at acquisition and requires considerable judgment.

Impairment of financial assets available for sale

The Group treats financial assets available for sale equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows.

(ii) Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimation and assumptions (continued)

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment losses on receivables arising on insurance and reinsurance

The Group reviews its receivables on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Fair value of financial instruments

When the fair value of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, they are determined using valuation techniques including the price to book method and the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, lack of marketability, market multiple of price to book value and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Life insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortised to the consolidated statement of income over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of income. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, these could result in significant changes to the expected future mortality exposure. Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current market risk rates, adjusted for the Group's own risk exposure.

Claims requiring court or arbitration decisions are estimated individually. In specific cases, independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a regular basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimation and assumptions (continued)

Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

The Group's past claims development experience can be used to project future claims development and hence ultimate claims costs, net of salvage and subrogation. As such, these methods extrapolate the development of paid and incurred losses, salvage and subrogation average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Reinsurance

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

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

During 2019, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2019. The Group applied the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2019.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2017, the Group performed an impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Group expects no significant impact on its consolidated statement of financial position, consolidated statement of income or consolidated statement of comprehensive income except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2022, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

Key requirements of IFRS 9:
All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)
Key requirements of IFRS 9 (continued)
With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9: (continued)

a) Classification and measurement

Financial Assets classifications	IAS 39	IFRS 9	
EQUITY INSTRUMENTS	AFS	FVOCI	The instruments that are currently classified as available for sale ("AFS") investments are financial instruments whose contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding and are held within a business model whose objective is not achieved both by collecting contractual cash flows and selling in the open market. Accordingly, such instrument will be subsequently measured at fair value through other comprehensive income ("FVOCI") upon the adoption of IFRS 9.
		FVTPL	The instruments that were classified as available for sale ("AFS") investments are held for selling or are managed on a fair value basis. Accordingly, such instrument will be subsequently measured at fair value through profit or loss ("FVTPL") upon the adoption of IFRS 9.
	FVTPL	FVTPL	The instruments that were classified as Financial assets through profit or loss ("FVTPL") investments and carried at fair value. These instruments will be held for trading and are managed on a fair value basis. Accordingly, such instrument will be subsequently measured at fair value through profit or loss ("FVTPL") upon the adoption of IFRS 9.
DEBT INSTRUMENTS	AFS	FVOCI	The instruments that were classified as available for sale ("AFS") investments are those instruments whose contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding and will be held within a business model whose objective is achieved both by collecting contractual cash flows and selling in the open market. Accordingly, such instrument will be subsequently measured at fair value through other comprehensive income ("FVOCI") upon the adoption of IFRS 9.
		AMORTISED COST	The instruments that were classified as available for sale ("AFS") investments will be held within a business model whose objective is achieved by collecting contractual cash flows and the instruments contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, such instrument will be subsequently measured at amortised cost upon the adoption of IFRS 9.
	FVTPL	AMORTISED COST	The instruments that were classified as Financial assets through profit or loss ("FVTPL") investments and carried at fair value. These instruments will be held within a business model whose objective is achieved by collecting contractual cash flows, and the instruments contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, such instrument will be subsequently measured at amortised cost upon the adoption of IFRS 9.
		FVTPL	The instruments that were classified as Financial assets through profit or loss ("FVTPL") investments are those instruments whose 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 upon the adoption of IFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9: (continued)
b) Impairment

Financial assets measured at amortised cost, receivables arising from reinsurance contracts and premium accruals, reinsurance recoverable on outstanding claims and other receivables will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its receivables as permitted by IFRS 9.

The Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Hedge accounting
IFRS 9's hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.

The new hedge accounting requirements will align more closely with the Company's risk management policies. When initially applying IFRS 9, the Group has the option to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. However, the Group determined that any hedge relationships that would currently be designated in effective hedging relationships would continue to qualify for hedge accounting under IFRS 9. The Group does not anticipate that the application of the IFRS 9 hedge accounting requirements will have a material impact on the Group's consolidated financial statements.

c) Disclosure
IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its consolidated financial instruments particularly in the year of the adoption of IFRS 9.

Overall, the Group performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Management of the Parent Company concluded that the impact is not material on its consolidated statement of financial position, consolidated statement of income or consolidated statement of comprehensive income.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 17 Insurance Contracts (continued)

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the profit or loss based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date together with IFRS 9 (see above). The Group started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

3 NET INVESTMENT INCOME

	2019 *KD*	*2018* *KD*
Interest income	**420,222**	329,749
Dividend income	**900,561**	627,838
(Loss) gain on sale of financial assets available for sale	**(93,089)**	11,000
Unrealised gain of financial assets at fair value through profit or loss	**436,977**	11,316
Impairment loss on financial assets available for sale (Note 7)	-	(268,879)
	1,664,671	711,024

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) as follows:

	2019	*2018*
Profit for the year attributable to equity holders of the parent company (KD)	**1,170,379**	781,524
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares) (Shares)	**162,090,569**	162,090,569
Earnings per share	**7.22 fils**	4.82 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of consolidated financial statements.

5 PROPERTY AND EQUIPMENT

	Land and buildings KD	***Furniture and equipment KD***	***Computers KD***	***Total KD***
Cost:				
As at 1 January 2019	**8,625,006**	**618,125**	**1,721,915**	**10,965,046**
Additions	-	**116,479**	**19,226**	**135,705**
As at 31 December 2019	**8,625,006**	**734,604**	**1,741,141**	**11,100,751**
Depreciation:				
As at 1 January 2019	**1,573,709**	**500,724**	**1,511,126**	**3,585,559**
Charge for the year	**118,807**	**30,188**	**64,005**	**213,000**
As at 31 December 2019	**1,692,516**	**530,912**	**1,575,131**	**3,798,559**
Net carrying amount:				
As at 31 December 2019	**6,932,490**	**203,692**	**166,010**	**7,302,192**

	Land and buildings KD	*Furniture and equipment KD*	*Computers KD*	*Total KD*
Cost:				
As at 1 January 2018	8,625,006	615,979	1,716,929	10,957,914
Additions	-	2,146	4,986	7,132
As at 31 December 2018	8,625,006	618,125	1,721,915	10,965,046
Depreciation:				
As at 1 January 2018	1,359,228	525,374	1,429,501	3,314,103
Charge for the year	141,384	13,831	116,241	271,456
As at 31 December 2018	1,500,612	539,205	1,545,742	3,585,559
Net carrying amount:				
As at 31 December 2018	7,124,394	78,920	176,173	7,379,487

Land and buildings with a net carrying value of KD 2,827,501 (2018: KD 2,749,503) are under lien to the Ministry of Commerce and Industry.

6 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Ownership percentage		*Country of*	*2019*	*2018*
	2019	*2018*	*incorporation*	*KD*	*KD*
KIB Takaful Insurance Company K.S.C.C.	**25.1%**	25.1%	Kuwait	**3,532,577**	3,365,852
Partners Real Estate Company – W.L.L.	**40.5%**	40.5%	Kuwait	**4,032,518**	3,904,253
				7,565,095	7,270,105

The movement in the investment in associates during the year is as follows:

	2019	*2018*
	KD	*KD*
Carrying value as at 1 January	**7,270,105**	6,763,678
Share of results of associates	**294,990**	510,380
Share of other comprehensive income	-	(3,953)
Carrying value as at 31 December	**7,565,095**	7,270,105

Summarized financial information in respect of each of the Group's associates is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

KIB Takaful Insurance Company K.S.C.C.

	2019	*2018*
	KD	*KD*
Current assets	**9,021,632**	7,669,808
Non- current assets	**6,171,379**	6,861,650
Current liabilities	**(318,999)**	(321,688)
Non-Current liabilities	**(800,000)**	(800,000)
Equity	**14,074,012**	13,409,770
Revenue	**916,696**	670,936
Profit for the year	**670,603**	268,521
Other comprehensive loss for the year	-	(15,750)
Total comprehensive income for the year	**670,603**	252,771

Reconciliation of the above summarized financial information to the carrying amount of the interest in KIB Takaful Insurance Company K.S.C.C. recognized in the consolidated financial statements.

	2019	*2018*
	KD	*KD*
Net assets of the associate	**14,074,012**	13,409,770
Proportion of the Group's ownership interest	**25.1%**	25.1%
Carrying amount of the Group's interest	**3,532,577**	3,365,852

6 INVESTMENT IN ASSOCIATES (continued)

Partners Real Estate Company - WLL

	2019 *KD*	*2018* *KD*
Current assets	**143,163**	85,651
Non- current assets	**11,250,000**	11,250,000
Current liabilities	**(1,436,329)**	(1,696,003)
Equity	**9,956,834**	9,639,648
Revenue	**537,360**	1,257,131
Profit for the year	**321,372**	1,093,726

Reconciliation of the above summarized financial information to the carrying amount of the interest in Partners Real Estate Company W.L.L. recognized in the consolidated financial statements.

	2019 *KD*	*2018* *KD*
Net assets of the associate	**9,956,834**	9,639,648
Proportion of the Group's ownership interest	**40.5%**	40.5%
Carrying amount of the Group's interest	**4,032,518**	3,904,253

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	2019 *KD*	*2018* *KD*
Quoted securities *	**13,843,498**	12,961,951
Unquoted securities **	**723,284**	738,810
Investment in bonds ***	**5,878,541**	3,412,000
	20,445,323	17,112,761

Investments available for sale are denominated in the following currencies:

	2019 *KD*	*2018* *KD*
Local currency (KD)	**12,274,060**	11,562,600
Foreign currencies	**8,171,263**	5,550,161
	20,445,323	17,112,761

* As at 31 December 2019, quoted equity securities are carried at fair value. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, no impairment loss was recognised in the consolidated statement of income. Quoted shares with a fair value of KD 3,476,205 (2018: KD 3,139,515) are under lien to the Ministry of Commerce and Industry.

** Unquoted equity securities amounting KD Nil (2018: KD 134,208) (net of impairment) are carried at cost less impairment loss since their fair values cannot be reliably determined. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD Nil (2018: KD 268,879) has been recorded in the consolidated statement of income for the year ended 31 December 2019 (Note 3).

*** Bonds carry interest rate ranging from 4.75% to 6.75% per annum (2018: 4.50% to 6.50%), mature in 10 years. Bonds amounting KD 2,500,000 (2018: KD 3,412,000) are carried at cost less impairment loss since their fair values cannot be reliably determined.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *KD*	*2018* *KD*
Quoted shares	**1,169,438**	861,620
Investments in fund	**195,216**	163,545
Investments in portfolio	**6,546,532**	5,879,597
	7,911,186	6,904,762

9 INSURANCE AND REINSURANCE RECEIVABLES

	2019 *KD*	*2018* *KD*
Premiums receivable	**8,480,536**	10,403,673
Insurance and reinsurance companies	**8,014,651**	11,077,854
	16,495,187	21,481,527
Less: Allowances for impairment of receivables	**(3,500,000)**	(3,000,000)
	12,995,187	18,481,527
Reinsurance share on premiums received in advance	**508,634**	906,797
	13,503,821	19,388,324

As at 31 December 2019, insurance and reinsurance receivables amounting to KD 3,500,000 (2018: KD 3,000,000) were impaired and fully provided for.

Movement in the allowance for impairment of insurance and reinsurance receivables was as follows:

	2019 *KD*	*2018* *KD*
As at the beginning of the year	**3,000,000**	2,845,153
Charge for the year	**500,000**	154,847
As at the end of the year	**3,500,000**	3,000,000

As at 31 December, the ageing of unimpaired receivables from insurance and reinsurance contracts is as follows:

		Past due but not impaired		
	Total *KD*	*Less than 3 months* *KD*	*3-6 months* *KD*	*More than 6 months* *KD*
2019	**12,995,187**	**4,959,140**	**1,473,882**	**6,562,165**
2018	18,481,527	8,772,368	1,474,109	8,235,050

10 OTHER ASSETS

	2019 *KD*	*2018* *KD*
Due from related parties	**4,637,128**	5,336,851
Due from staff	**77,631**	130,958
Deferred acquisition cost	**587,384**	541,778
Accrued income	**362,314**	179,850
Prepaid expenses	**176,831**	199,231
Refundable deposit	**16,230**	237,480
Others	**239,951**	176,414
	6,097,469	6,802,562

11 FIXED DEPOSITS

Fixed deposits represent deposits with banks whose original maturity period exceeds three months from date of deposit.

Fixed deposits include an amount of KD 5,185,415 held in State of Kuwait under lien to the Ministry of Commerce and Industry in accordance with insurance regulations of State of Kuwait (31 December 2018: KD 5,185,415).

The effective interest rate on fixed deposits was 1.6% to 3.5% per annum (31 December 2018: 1.6% to 3.5%).

The Insurance Companies and Agent Law No. 24 of 1961 as amended, requires the Parent Company to deposit in a Kuwaiti bank or in a Kuwaiti branch of a foreign bank, a deposit amounting to KD 500,000 for general insurance and KD 500,000 for life insurance.

Additionally, a minimum 15% of premiums collected on marine insurance contracts and 30% of premiums collected on non-marine insurance contracts except for life insurance contracts are to be retained in Kuwait.

12 CASH AND CASH EQUIVALENTS

	2019	*2018*
	KD	*KD*
Cash on hand	**40,826**	69,037
Cash in portfolio	**12,851**	437,531
Bank balances	**360,466**	1,613,499
	414,143	2,120,067
Less:		
Bank overdraft	**-**	(202,818)
Cash and cash equivalents	**414,143**	1,917,249

13 SHARE CAPITAL AND CASH DIVIDENDS

The authorised, issued, and fully paid-up share capital comprises of 172,788,740 shares of 100 fils each (2018: 172,788,740 shares of 100 fils each) fully paid up in cash.

Cash dividend and bonus shares
The Board of Directors' meeting held on 19 March 2020 recommended to distribute cash dividends of 7.5% for the year ended 31 December 2019 (2018: Nil), and 2.5% bonus shares (2018: KD Nil). This recommendation is subject to the approval of the Parent Company's Annual General Assembly.

The Parent Company's shareholders at their general assembly meeting held on 8 April 2019 approved the consolidated financial statements for the year ended 31 December 2018.

As at 12 March 2019 the Board of Directors meeting approved not to distribute cash dividends or bonus shares and no directors' remuneration be paid which has been approved by the Annual General Assembly meeting on 8 April 2019.

14 RESERVES

Statutory reserve
As required by the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. Since the reserve has reached 50% of the capital, the Board of Directors have resolved to discontinue transfer to statutory reserve and was approved by the Parent Company Annual General Assembly on 26 March 2012.

14 RESERVES (continued)

Voluntary reserve
As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' Annual General Assembly Meeting upon recommendation by the Board of Directors. The Parent Company's General Assembly held on May 19, 2015 resolved to discontinue transfer to voluntary reserve.

15 TREASURY SHARES

	2019	*2018*
Number of shares	**10,698,171**	10,698,171
Percentage of issued shares (%)	**6.19**	6.19
Market value (KD)	**663,287**	695,381

The Parent Company's management has allotted an amount equal to treasury shares balance from the voluntary reserve as of the consolidated financial statement date. Such amount will not be available for distribution during the treasury shares holding period. Treasury shares are not pledged.

The weighted average market price of the Parent Company's shares for the year ended 31 December 2019 was 62 fils per share (31 December 2018: 65 fils per share).

16 INSURANCE CONTRACT LIABILITIES

	2019 KD	*2018 KD*
Reserve for outstanding claims	**58,634,610**	45,930,449
Reserve for unexpired risks	**4,396,188**	4,135,000
Reserve for life insurance fund	**1,945,411**	1,822,996
Unearned reinsurance commission	**308,921**	314,326
	65,285,130	52,202,771

16 INSURANCE CONTRACT LIABILITIES (continued)

The reserve for outstanding claims comprises of:

2019	*Marine and aviation KD*	*Motor KD*	*Fire and general accidents KD*	*Life and medical KD*	*Total KD*
Reserve for outstanding claims (reported and not reported):					
Gross balance at beginning of the year	1,687,609	3,931,775	30,585,052	9,726,013	**45,930,449**
Reinsurance share	(955,115)	(969,850)	(28,201,551)	(4,019,640)	**(34,146,156)**
Net balance at beginning of the year	**732,494**	**2,961,925**	**2,383,501**	**5,706,373**	**11,784,293**
Incurred during the year – net	(391,804)	3,674,739	296,644	6,143,224	**9,722,803**
Paid during the year – net	(21,085)	(3,529,006)	(774,608)	(7,750,479)	**(12,075,178)**
Net balance at end of the year	**319,605**	**3,107,658**	**1,905,537**	**4,099,118**	**9,431,918**
Represented by:					
Gross outstanding claims at end of the year	1,276,174	3,943,541	45,613,701	7,801,194	**58,634,610**
Reinsurance share	(956,569)	(835,883)	(43,708,164)	(3,702,076)	**(49,202,692)**
	319,605	**3,107,658**	**1,905,537**	**4,099,118**	**9,431,918**
Reserve for unexpired risks	**63,190**	**1,518,835**	**604,242**	**2,209,921**	**4,396,188**

16 INSURANCE CONTRACT LIABILITIES (continued)

2018	*Marine and aviation KD*	*Motor KD*	*Fire and general accidents KD*	*Life and medical KD*	*Total KD*
Reserve for outstanding claims (reported and not reported):					
Gross balance at beginning of the year	1,782,018	4,600,569	11,474,501	9,325,760	27,182,848
Reinsurance share	(1,280,989)	(1,097,322)	(9,212,093)	(5,608,382)	(17,198,786)
Net balance at beginning of the year	501,029	3,503,247	2,262,408	3,717,378	9,984,062
Incurred during the year – net	292,236	2,705,349	407,528	5,676,763	9,081,876
Paid during the year – net	(60,771)	(3,246,671)	(286,435)	(3,687,768)	(7,281,645)
Net balance at end of the year	732,494	2,961,925	2,383,501	5,706,373	11,784,293
Represented by:					
Gross outstanding claims at end of the year	1,687,609	3,931,775	30,585,052	9,726,013	45,930,449
Reinsurance share	(955,115)	(969,850)	(28,201,551)	(4,019,640)	(34,146,156)
	732,494	2,961,925	2,383,501	5,706,373	11,784,293
Reserve for unexpired risks	60,000	1,388,000	494,000	2,193,000	4,135,000

17 INSURANCE AND REINSURANCE PAYABLES

	2019 *KD*	*2018* *KD*
Trade payables	**3,305,585**	3,905,448
Premiums received in advance	**930,446**	1,300,416
Insurance and reinsurance companies	**4,499,295**	8,071,081
Reserve for reinsurance operations	**257,780**	262,216
Provision for supervision fees	**184,843**	187,882
	9,177,949	13,727,043

18 OTHER LIABILITIES

	2019 *KD*	*2018* *KD*
Due to related parties	**462,712**	478,533
Provision for end of service indemnity	**1,739,210**	1,724,596
Dividends payable	**1,085,095**	1,091,000
Accrued staff leave	**358,595**	383,893
Accrued expenses	**446,036**	397,834
Considerations payable for investments acquired	**2,344,914**	1,392,737
Other liabilities	**162,506**	307,559
	6,599,068	5,776,152

19 SEGMENT INFORMATION

The Group operates in three segments: General risk insurance, Life and Medical insurance and Investment. Within General risk insurance are Marine and Aviation, Fire, General Accidents and Motor.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with consolidated statement of income.

The following are the details of these segments:

- Marine and aviation: Insurance against the risks related to goods transportation and different types of marine and aviation vessels.
- General accident: Insurance against risks of contractors, machine and computer damages and cessation of work; insurance for cash, fidelity bonds, professional risks, work accidents, civil responsibility and cars.
- Fire: Insurance against fire for different types of buildings, stores, industrial risks and oil and gas industry.
- Motor: Insurance against accidents for different types of motor vehicles.
- Life and medical insurance: Providing various life and health insurance cover for individuals and Companies.

19 SEGMENT INFORMATION (continued)

A) Segment information – Consolidated statement of income

Year ended 31 December 2019	*Marine and aviation KD*	*General accidents and fire KD*	*Motor KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Unallocated KD*	*Total KD*
Revenue:							
Gross premiums written	1,097,411	9,808,918	6,299,426	17,205,755	12,473,245	-	29,679,000
Premiums ceded to reinsurers	(676,144)	(7,794,777)	(1,236,644)	(9,707,565)	(4,861,531)	-	(14,569,096)
Net premiums written	421,267	2,014,141	5,062,782	7,498,190	7,611,714	-	15,109,904
Movement in unearned premiums	(3,190)	(110,242)	(130,835)	(244,267)	(16,921)	-	(261,188)
Movement in life mathematical reserve	-	-	-	-	(122,415)	-	(122,415)
Net premiums earned	418,077	1,903,899	4,931,947	7,253,923	7,472,378	-	14,726,301
Commission income earned on ceded reinsurance	214,989	649,421	(12,547)	851,863	499,471	-	1,351,334
Policy issuance fees	3,137	1,333	173,786	178,256	2,352	-	180,608
Total revenues	636,203	2,554,653	5,093,186	8,284,042	7,974,201	-	16,258,243
Expenses:							
Net claims incurred	(391,804)	296,645	3,674,738	3,579,579	6,143,224	-	9,722,803
Commissions and premiums' acquisition costs	63,680	358,187	554,559	976,426	970,704	-	1,947,130
Operating and administrative expenses for insurance business	334,840	1,269,554	1,265,191	2,869,585	1,458,819	445,597	4,774,001
Total expenses	6,716	1,924,386	5,494,488	7,425,590	8,572,747	445,597	16,443,934
Net underwriting results	629,487	630,267	(401,302)	858,452	(598,546)	(445,597)	(185,691)
Net investment income						1,664,671	1,664,671
Share of results of associates						294,990	294,990
Other income and foreign currency exchange differences						132,754	132,754
Other Insurance service expense						(745,123)	(745,123)
Other Insurance service income						516,662	516,662
Other administrative expenses, contribution to KFAS, NLST and Zakat						(548,315)	(548,315)
Profit for the year						870,042	1,129,948

19 SEGMENT INFORMATION (continued)

A) Segment information – Consolidated statement of income (continued)

Year ended 31 December 2018	*Marine and aviation KD*	*General accidents and fire KD*	*Motor KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Unallocated KD*	*Total KD*
Revenue:							
Gross premiums written	1,319,205	9,085,343	6,655,616	17,060,164	11,491,945	-	28,552,109
Premiums ceded to reinsurers	(914,028)	(7,440,150)	(2,028,008)	(10,382,186)	(3,899,635)	-	(14,281,821)
Net premiums written	405,177	1,645,193	4,627,608	6,677,978	7,592,310	-	14,270,288
Movement in unearned premiums	7,823	79,446	(66,734)	20,535	(392,680)	-	(372,145)
Movement in life mathematical reserve	-	-	-	-	390,732	-	390,732
Net premiums earned	413,000	1,724,639	4,560,874	6,698,513	7,590,362	-	14,288,875
Commission income earned on ceded reinsurance	203,814	490,182	(30,606)	663,390	353,486	-	1,016,876
Policy issuance fees	3,692	1,210	178,998	183,900	2,158	-	186,058
Total revenues	620,506	2,216,031	4,709,266	7,545,803	7,946,006	-	15,491,809
Expenses:							
Net claims incurred	292,236	407,529	2,705,348	3,405,113	5,676,763	-	9,081,876
Commissions and premiums' acquisition costs	62,675	305,028	475,856	843,559	939,448	-	1,783,007
Operating and administrative expenses for insurance business	298,593	1,286,464	1,251,032	2,836,089	1,443,875	499,040	4,779,004
Total expenses	653,504	1,999,021	4,432,236	7,084,761	8,060,086	499,040	15,643,887
Net underwriting results	(32,998)	217,010	277,030	461,042	(114,080)	(499,040)	(152,078)
Net investment income						711,024	711,024
Share of results of associates						510,380	510,380
Other income and foreign currency exchange differences						86,770	86,770
Other Insurance service expense						(754,549)	(754,549)
Other Insurance service income						384,527	384,527
Other administrative expenses, contribution to KFAS, NLST and Zakat						(183,519)	(183,519)
Profit for the year						255,593	602,555

19 SEGMENT INFORMATION (continued)

B) Segment information – Consolidated statement of financial position

	General risk insurance KD	*Life and medical insurance KD*	*Investment*	*Total KD*
31 December 2019				
Assets	**78,675,248**	**4,543,160**	**35,921,604**	119,140,012
Liabilities	**68,255,816**	**12,806,331**	**-**	**81,062,147**
31 December 2018				
Assets	69,964,190	6,570,113	31,287,628	107,821,931
Liabilities	65,894,547	6,014,237	-	71,908,784

20 RELATED PARTY TRANSACTIONS

The Group has entered into various transactions with related parties, i.e. shareholders, Board of directors, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:

	2019	*2018*
	KD	*KD*
Insurance activities		
Insurance services receivable	**4,637,128**	5,336,851
Insurance services payable	**462,712**	478,533
Investment activities		
Investments at fair value through profit or loss	**6,546,532**	5,879,597
Investments available for sale	**9,511,572**	8,707,224
Deposits and bank balances	**6,406,511**	7,344,285

Transactions included in the consolidated statement of income:

	2019	*2018*
	KD	*KD*
Premiums written	**1,429,200**	1,369,880
Dividend income	**335,445**	304,863

Compensation to key management personnel:

Short term employee benefits	**717,466**	798,749
Employees end of service benefits	**38,060**	45,825
	755,526	844,574

21 CAPITAL COMMITMENTS AND CONTINGENCIES

	2019	*2018*
	KD	*KD*
Letters of guarantee	**796,794**	465,806
Capital commitments	**6,480**	58,064

22 STATUTORY GUARANTEES

The following amounts are held in Kuwait by the Parent Company as security for the order of the Minister of Commerce and Industry in accordance with the Ministerial Decree No. 27 of 1966 and its amendments:

(a) Deposits and investments amounting to KD 4,880,216 (2018: KD 4,753,187) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;

(b) Deposits and investment amounting to KD 5,599,280 (2018: KD 5,156,247) have been deposited with a Kuwaiti bank in respect of the Parent Company's right to transact life assurance business;

23 RISK MANAGEMENT

(a) Governance framework

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

The Group has established a risk management function since 2013 with clear terms of reference from the Group's board of directors, its committees and the associated executive management committees. This will be supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to the management. Also, a Group policy framework including risk profiles for the Group, risk management, control and business conduct standards for the Group's operations.

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962 and the Ministerial Decree Nos. 5 of 1989, 510 & 511 of 2011 and its amendment as included within decree Nos. 578 & 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

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

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- For the life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Non-life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Life and Non-life Insurance Companies KD 1,000,000 FD under the ministerial name to be retained in Kuwait.
- In addition, all insurance companies to maintain a provision of 20% of its gross premium written.
- The funds retained in Kuwait should be invested as under:
  - A maximum of 30% should be invested in Kuwaiti Companies' shares or bonds.
  - A maximum of 15% should be in a current account with a bank operating in Kuwait.

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

The Group's corporate governance and compliance department is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

(c) Insurance risk

The principal risk the Group faces under insurance 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 Group 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 insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, prudent claims management practices as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a quota share basis with retention limits varying by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

Insurance risk is divided into risk of life insurance contracts and risk of non-life insurance contracts as follows:

(1) Life insurance contracts

Life insurance contracts offered by the Group include term insurance, life and disability, medical, endowment, individual policies, pension (individual policies) and Group Life.

Term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

Pension plans are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or sum assured whichever is greater. Some contracts give the policyholder the option at retirement to take a cash sum or pension annuity allowing the policyholders the option of taking the more valuable of the two. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to 'paid up' on guaranteed terms. The majority of the mortgage endowment contracts offered by the Group have minimum maturity values subject to certain conditions being satisfied.

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

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

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

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

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

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

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

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimize the risk of default.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

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

The table below sets out the concentration of life insurance and investment contracts by type of contract:

31 December 2019 **Type of contract**	*Gross liabilities* *KD*	*Reinsurers' share of liabilities* *KD*	*Net liabilities* *KD*
Term insurance	743	-	743
Life and disability	1,344	-	1,344
Medical	4,534,567	-	4,534,567
Endowment individual policies	1,975,258	-	1,975,258
Pensions (individual policies)	8,055	-	8,055
Group Life	5,525,350	3,702,076	1,823,274
Total life insurance contracts	**12,045,317**	**3,702,076**	**8,343,241**
Individual life insurance contracts liabilities	**1,985,401**	-	**1,985,401**
Group life insurance contracts liabilities	**10,059,916**	**3,702,076**	**6,357,840**

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

31 December 2018 Type of contract	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Term insurance	1,685	-	1,685
Life and disability	1,356	-	1,356
Medical	5,740,463	-	5,740,463
Endowment individual policies	2,472,757	-	2,472,757
Pensions (individual policies)	1,130	-	1,130
Group Life	5,606,017	4,019,641	1,586,376
Total life insurance contracts	13,823,408	4,019,641	9,803,767
Individual life insurance contracts liabilities	2,476,928	-	2,476,928
Group life insurance contracts liabilities	11,346,480	4,019,641	7,326,839

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life insurance contracts' estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

• ***Mortality and morbidity rates***

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides, reflecting recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by occupation, underwriting class and contract type.

An increase in the actual mortality rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

• ***Longevity***

Assumptions are based on standard rates, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by occupation, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

• ***Investment return***
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

• ***Expenses***
Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

• ***Lapse and surrender rates***
Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

• ***Discount rate***
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on Central Bank of Kuwait rate, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

The assumptions that have the maximum effect on the consolidated statement of financial position and consolidated statement of income of the Group are listed below.

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*
Investment contracts:												
With fixed and guaranteed terms	**40% AM/80 Ult**	40% AM/80 Ult	**3.50%**	3.50%	**0%**	0%	**3.50%**	3.50%	**5%**	5%	**N/A**	N/A
Non-guaranteed terms	**40% AM/80 Ult**	40% AM/80 Ult	**3.50%**	3.50%	**0%**	0%	**3.50%**	3.50%	**5%**	5%	**N/A**	N/A
Life term assurance:												
Males	**40% AM/80 Ult**	40% AM/80 Ult	**3.50%**	3.50%	**0%**	0%	**3.50%**	3.50%	**5%**	5%	**N/A**	N/A
Females	**40% AM/80 Ult**	40% AM/80 Ult	**3.50%**	3.50%	**0%**	0%	**3.50%**	3.50%	**5%**	5%	**N/A**	N/A

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

Sensitivities
The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist they are the main reason for the asymmetry of sensitivities.

(2) Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: marine and aviation, motor, accident and fire. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities which are only covered in fire line of business.

Insurance contracts at times also cover risk for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risk that may involve significant litigation.

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

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

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management.

Claims development table
The following tables show the estimate of cumulative incurred claims for both Non-life and Life and Medical segments, including claims notified for each successive accident year at each statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at the spot rates of the current financial year.

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table (continued)

31 December 2019

	2014 *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	*2018* *KD*	***2019*** ***KD***	***Total*** ***KD***
Current estimate of cumulative claims incurred	**19,324,550**	**16,690,418**	**14,480,854**	**11,884,233**	**53,028,592**	**13,290,013**	**128,698,660**
At end of accident year	7,890,483	8,925,925	8,682,931	4,961,305	3,265,281	4,251,498	-
One year later	12,846,917	12,781,881	11,944,387	9,161,498	12,488,847	-	-
Two years later	13,513,775	14,133,410	12,420,374	11,711,718	-	-	-
Three years later	13,422,232	14,270,249	13,093,645	-	-	-	-
Four years later	13,538,565	14,838,288	-	-	-	-	-
Five years later	13,680,054	-	-	-	-	-	-
Cumulative payment to date	**13,680,054**	**14,838,288**	**13,093,645**	**11,711,718**	**12,488,847**	**4,251,498**	**70,064,050**
Gross outstanding claims and IBNR at 31 December 2019	**5,644,496**	**1,852,130**	**1,387,209**	**172,515**	**40,539,745**	**9,038,515**	**58,634,610**

31 December 2018

	2014 *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	*2018* *KD*	*Total* *KD*
Current estimate of cumulative claims incurred	20,021,137	16,352,725	15,139,635	11,853,221	35,219,698	98,586,416
At end of accident year	7,890,483	8,925,925	8,682,931	4,961,305	3,265,281	-
One year later	12,846,917	12,781,881	11,944,387	9,161,498	-	-
Two years later	13,513,775	14,133,410	12,420,374	-	-	-
Three years later	13,422,232	14,270,249	-	-	-	-
Four years later	13,538,565	-	-	-	-	-
Cumulative payment to date	13,538,565	14,270,249	12,420,374	9,161,498	3,265,281	52,655,967
Gross outstanding claims and IBNR at 31 December 2018	6,482,572	2,082,476	2,719,261	2,691,723	31,954,417	45,930,449

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

31 December 2019	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***
Motor	**5,462,621**	**(835,883)**	**4,626,738**
Marine and Aviation	**1,370,957**	**(956,568)**	**414,389**
General Accident	**44,678,096**	**(42,517,149)**	**2,160,947**
Fire	**1,728,139**	**(1,191,015)**	**537,124**
Total	**53,239,813**	**(45,500,615)**	**7,739,198**
31 December 2018			
Motor	5,306,658	(969,850)	4,336,808
Marine and Aviation	1,783,577	(955,115)	828,462
General Accident	27,635,552	(25,572,915)	2,062,637
Fire	3,653,576	(2,628,636)	1,024,940
Total	38,379,363	(30,126,516)	8,252,847

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example 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 interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax.

31 December 2019	***Change in Assumption %***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Ultimate Loss Ratio Increase	**2**	**582,906**	**294,526**	**294,526**
31 December 2018	*Change in Assumption %*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Ultimate Loss Ratio Increase	2	597,690	285,777	285,777

23 RISK MANAGEMENT (continued)

(d) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

- The credit risk in respect of customer balances, incurred on non-payment of premiums 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.

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

	31 December 2019			
Exposure credit risk by classifying financial assets according to type of insurance	***General insurance KD***	***Life and Medical insurance KD***	***Reinsurance operations KD***	***Total KD***
Bank balances	**157,374**	**153,233**	**103,536**	**414,143**
Fixed deposits	**2,535,208**	**2,468,492**	**1,667,900**	**6,671,600**
Financial assets available for sale – bonds	**2,233,847**	**2,175,061**	**1,469,633**	**5,878,541**
Financial assets at fair value through profit or loss – bonds	**2,487,682**	**2,422,217**	**1,636,633**	**6,546,532**
Insurance and reinsurance receivable	**5,131,452**	**4,996,413**	**3,375,956**	**13,503,821**
Other assets	**2,317,038**	**2,256,064**	**1,524,367**	**6,097,469**
Loans secured by life insurance policies	**10,067**	**9,802**	**6,622**	**26,491**
Reinsurance share in reserve for outstanding claims	**18,697,023**	**18,204,996**	**12,300,673**	**49,202,692**
Total credit risk exposure	**33,569,691**	**32,686,278**	**22,085,320**	**88,341,289**

	31 December 2018			
Exposure credit risk by classifying financial assets according to type of insurance	*General insurance KD*	*Life and Medical insurance KD*	*Reinsurance operations KD*	*Total KD*
Bank balances	805,626	784,425	530,016	2,120,067
Fixed deposits	2,536,522	2,469,771	1,668,764	6,675,057
Financial assets available for sale – bonds	1,296,560	1,262,440	853,000	3,412,000
Financial assets at fair value through profit or loss – bonds	2,234,247	2,175,451	1,469,899	5,879,597
Insurance and reinsurance receivable	7,367,563	7,173,680	4,847,081	19,388,324
Other assets	2,584,973	2,516,948	1,700,641	6,802,562
Loans secured by life insurance policies	8,608	8,379	5,663	22,650
Reinsurance share in reserve for outstanding claims	12,975,539	12,634,078	8,536,539	34,146,156
Total credit risk exposure	29,809,638	29,025,172	19,611,603	78,446,413

23 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets by classifying assets according to international credit ratings of the counterparties. "A" ratings denote expectations of low default risk. "B" ratings indicate that material default risk is present, but a limited margin of safety remains. Assets that fall outside the range of A to B are classified as not rated.

Exposure credit risk by classifying financial assets according to international credit rating agencies	***A*** ***KD***	***B*** ***KD***	***Not rated*** ***KD***	***Total*** ***KD***
31 December 2019				
Bank balances	**414,143**	-	-	**414,143**
Fixed deposits	**6,671,600**	-	-	**6,671,600**
Financial assets available for sale – bonds	**5,878,541**	-	-	**5,878,541**
Financial assets at fair value through profit or loss – bonds	**6,546,532**	-	-	**6,546,532**
Insurance and reinsurance receivable	**10,803,057**	**2,700,764**	-	**13,503,821**
Other assets	**3,048,735**	**1,524,368**	**1,524,366**	**6,097,469**
Loans secured by life insurance policies	**26,491**	-	-	**26,491**
Reinsurance share in reserve for outstanding claims	**39,362,154**	**9,840,538**	-	**49,202,692**
Total credit risk exposure	**72,751,253**	**14,065,670**	**1,524,366**	**88,341,289**

Exposure credit risk by classifying financial assets according to international credit rating agencies	*A* *KD*	*B* *KD*	*Not rated* *KD*	*Total* *KD*
31 December 2018				
Bank balances	2,120,067	-	-	2,120,067
Fixed deposits	6,675,057	-	-	6,675,057
Financial assets available for sale – bonds	3,412,000	-	-	3,412,000
Financial assets at fair value through profit or loss – bonds	5,879,597	-	-	5,879,597
Insurance and reinsurance receivable	15,510,660	3,877,664	-	19,388,324
Other assets	3,401,282	1,700,641	1,700,639	6,802,562
Loans secured by life insurance policies	22,650	-	-	22,650
Reinsurance share in reserve for outstanding claims	27,316,925	6,829,231	-	34,146,156
Total credit risk exposure	64,338,238	12,407,536	1,700,639	78,446,413

23 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The table below summarises the maturity profile of the Group's financial liabilities based on remaining undiscounted contractual obligations for 31 December. The maturity profile of financial liabilities at 31 December was as follows:

31 December 2019	***Within 1 year KD***	***More than 1 year KD***	***Total KD***
Insurance and reinsurance payables	**8,920,169**	**257,780**	**9,177,949**
Other liabilities	**4,859,858**	**1,739,210**	**6,599,068**
	13,780,027	**1,996,990**	**15,777,017**

31 December 2018	*Within 1 year KD*	*More than 1 year KD*	*Total KD*
Bank overdraft	202,818	-	202,818
Insurance and reinsurance payables	13,464,827	262,216	13,727,043
Other Liabilities	4,051,555	1,724,597	5,776,152
	17,719,200	1,986,813	19,706,013

3) Market risk

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

Market risk comprises three types of risk: currency risk, interest rate risk and equity price risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit due to changes in fair value of currency sensitive assets and liabilities.

23 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

3) Market risk (continued)

(i) Currency risk (continued)

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear. The effect of decreases in profit and other comprehensive income is expected to be equal and opposite to the effect of the increases shown.

		2019		*2018*	
	Change in Variables %	***Impact on profit for the year KD***	***Impact on other comprehensive income KD***	*Impact on profit for the year KD*	*Impact on other comprehensive income KD*
USD	±5	**328,603**	**169,891**	338,658	46,992
BHD	±5	**-**	**238,672**	-	230,516

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its interest bearing assets and liabilities.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates, on the Group's profit before contribution to KFAS, NLST, Zakat and directors' fees, based on floating rate financial assets and financial liabilities held as at 31 December 2019 and 2018.

The Group is not exposed to interest rate risk as majority of its interest bearing assets and liabilities are stated at fixed interest rates.

(iii) Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industrial concentration.

The effect on other comprehensive income as a result of a change in the fair value of financial assets available for sale at 31 December due to ±10% change in the following market indices with all other variables held constant is as follows:

Market indices	***2019 KD***	*2018 KD*
Kuwait	**803,555**	892,839
Others	**510,198**	463,816

24 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issues new shares.

24 CAPITAL MANAGEMENT (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, liabilities arising from insurance contracts, payables and term loans less cash and cash equivalent. Capital includes equity of the Group.

	2019	*2018*
	KD	*KD*
Liabilities arising from insurance contracts	**65,285,130**	52,202,771
Insurance and reinsurance payables	**15,777,017**	19,503,195
Bank overdraft	**-**	202,818
Less:		
Bank balances and cash	**(414,143)**	(2,120,067)
Net debt	**80,648,004**	69,788,717
Total capital	**38,077,865**	35,913,147
Total capital and net debt	**118,725,869**	105,701,864
Gearing ratio	**68%**	66%

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, financial assets at fair value through profit or loss, accounts receivable, fixed deposits and bank balances. Financial liabilities consist of borrowing and credit balances.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost amounting to KD 2,500,000 (2018: KD 3,546,208) (Note 7), are not materially different from their carrying values.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2019	*Quoted prices in active markets (Level 1)* *KD*	*Significant observable inputs (Level 2)* *KD*	*Significant unobservable inputs (Level 3)* *KD*	*Total fair value* *KD*
Financial assets at fair value though profit or loss	**7,911,186**	**-**	**-**	**7,911,186**
Financial assets available for sale	**13,843,498**	**3,378,541**	**723,284**	**17,945,323**
Total	**21,754,684**	**3,378,541**	**723,284**	**25,856,509**

25 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2018	*Quoted prices in active markets (Level 1) KD*	*Significant observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*	*Total fair Value KD*
Financial assets at fair value though profit or loss	6,904,762	-	-	6,904,762
Financial assets available for sale	12,961,951	-	604,602	13,566,553
Total	19,866,713	-	604,602	20,471,315

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

	Valuation Technique	***Significant unobservable inputs***	***Range***	***Sensitivity of the input to fair value***
Unquoted equity securities	Price to book value	Discount for lack of marketability & lack of control	10%	An increase (decrease) by 10% in the Discount for lack of marketability & lack of Control would result in increase (decrease) in fair value by KD 72 thousands.
	Price to book value	Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 66 thousands.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	At the beginning of the year KD	***Net fair value recorded in the consolidated statement of comprehensive income KD***	***Net result recorded in the consolidated statement of income KD***	***Net purchase, transfer, sale & settlements KD***	***At the end of the year KD***
2019					
Financial assets available for sale:	**604,602**	**118,682**	**-**	**-**	**723,284**
	604,602	**118,682**	**-**	**-**	**723,284**

	At the beginning of the year KD	*Net fair value recorded in the consolidated statement of comprehensive income KD*	*Net result recorded in the consolidated statement of income KD*	*Net purchase, transfer, sale & settlements KD*	*At the end of the year KD*
2018					
Financial assets available for sale:	624,702	48,779	(68,879)	-	604,602
	624,702	48,779	(68,879)	-	604,602