Gulf Insurance Group K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (Collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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 at 31 December 2020. The determination as to whether a receivable is collectable involves significant management judgment. Management considers specific factors including the age of the balance, location of customers, 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 provision for impairment is required either for a specific transaction or for a customer's balance overall.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

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

We determined this to be a key audit matter because it requires a high level of management judgment, which is heightened due to the ongoing COVID-19 pandemic, and due to the materiality of the amounts involved.

Our audit procedures included evaluating the ageing analyses of receivable balances where no provision was recognised, to check that there were no 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' and other re-insurers on expected settlement dates.

We selected a sample of the receivable balances where a provision for impairment of receivables was recognised and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments, we verified whether balances were overdue, the customers' and other re-insurers historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence 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.

In assessing the appropriateness of the overall provision for impairment, we also considered management's policy for recognising provisions on doubtful receivables.

Further, we assessed the adequacy of the disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 10 and 11 to the consolidated financial statements.

b) Impairment of Goodwill

The impairment testing of goodwill performed by the management is significant to our audit because assessment of the recoverable amount of cash generating unit (CGU) under the value-in-use basis is complex and requires considerable judgment on the part of management. As disclosed in Note 2.6 and 7 to the consolidated financial statements, management's impairment assessment process is highly judgmental and is carried out using various variables and assumptions, including estimated future cashflows, terminal growth rate and discount rates, which are affected by expected future market or economic conditions. Given the high level of management judgment in their impairment assessment and the related impact of the COVID-19, we considered this area to be a key audit matter.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Impairment of Goodwill (continued)

Our audit procedures included an assessment of the management's estimates, evaluation and testing the assumptions, methodologies, cash generating unit (CGU) determination, discount rates and data used by the Group. We evaluated the basis of preparing those forecasts taking into account the appropriateness of forecasts and the evidence supporting underlying assumptions. Future cashflows assumptions were evaluated through comparison of current and historical performance, seeking corroborative evidence and enquiry with management in respect of key growth and performance assumptions. We further evaluated the reasonableness of other key assumptions such as the discount rate and long-term growth rate in the value in use model. We also performed procedures in relation to the mathematical integrity of management's model and carried out audit procedures on management's sensitivity calculations, which are disclosed in Note 7 of the consolidated financial statements.

c) Insurance and Reinsurance Technical Reserves

Insurance and reinsurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred But Not Reported reserve ("IBNR"). As at 31 December 2020, the insurance and reinsurance technical reserves are significant to the Groups total liabilities. As disclosed in Notes 2.6 and 11 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 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.

Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, morbidity and customer behavior, along with Group's 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 and reinsurance technical reserves, this is considered a key audit matter.

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

c) *Insurance and Reinsurance Technical Reserves (continued)*

In addition, we have performed test of controls in place, checked the design and the operating effectiveness of key controls and assessed the validity of management's liability adequacy testing are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessing the accuracy of the historical data used, and evaluating the projected cashflows and assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features. Further, we assessed the adequacy of the disclosures relating to these reserves given in Note 11 to the consolidated financial statements.

Other information included in the Group's 2020 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.

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 the 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.

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

Report on the Audit of the Consolidated Financial Statements (continued)

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

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.

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

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

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

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

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

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

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

- 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.

- 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, actions taken to eliminate threats or 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.

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

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 an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2020 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

23 February 2021
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2020

	Notes	*2020* KD	*2019* KD
Revenue			
Premiums written		**444,436,705**	394,059,184
Reinsurance premiums ceded		**(251,949,863)**	(211,383,044)
Net premiums written		**192,486,842**	182,676,140
Movement in unearned premiums reserve		**641,621**	(345,093)
Movement in life mathematical reserve		**(6,095,762)**	(1,033,654)
Net premiums earned		**187,032,701**	181,297,393
Commission received on ceded reinsurance		**19,116,102**	17,761,978
Policy issuance fees		**2,559,606**	3,175,220
Net investment income from designated life and medical insurance	3	**2,126,043**	3,085,361
		210,834,452	205,319,952
Expenses			
Claims incurred	11	**128,821,526**	128,654,217
Commission and discounts		**22,481,240**	22,501,316
Maturity and cancellations of life insurance policies		**2,622,449**	5,368,202
General and administrative expenses		**28,954,578**	27,155,982
		182,879,793	183,679,717
Net underwriting income		**27,954,659**	21,640,235
Net investment income	3	**12,772,727**	10,474,468
Finance costs		**(2,557,778)**	(3,444,736)
Share of results of associates	6	**(248,307)**	1,534,412
Net sundry income		**2,679,714**	2,477,819
		40,601,015	32,682,198
Other charges:			
Unallocated general and administrative expenses		**(16,341,844)**	(13,457,439)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' REMUNERATION		**24,259,171**	19,224,759
Provision for contribution to Kuwait Foundation for advancement of science (KFAS)		**(300,506)**	(110,883)
Provision for National Labour Support Tax (NLST)		**(312,767)**	(337,570)
Provision for Zakat		**(130,917)**	(102,603)
Directors' remuneration		**(185,000)**	(185,000)
Taxation from subsidiaries		**(3,236,286)**	(3,205,904)
PROFIT FOR THE YEAR		**20,093,695**	15,282,799
Attributable to:			
Equity holders of the Parent Company		**16,337,000**	13,348,281
Non-controlling interests		**3,756,695**	1,934,518
		20,093,695	15,282,799
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**85.35 fils**	71.65 fils

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
Profit for the year		**20,093,695**	15,282,799
Other comprehensive (loss) income			
Other comprehensive (loss) income to be reclassified to consolidated statement of income in subsequent periods:			
- Financial assets available for sale:			
Net unrealised gain on investments available for sale		**3,739,161**	4,903,677
Net realised gain transferred to consolidated statement of income on sale of investments available for sale	3	**(2,940,706)**	(2,974,507)
Transfer to consolidated statement of income on impairment of investment available for sale	3	**1,659,770**	1,852,012
		2,458,225	3,781,182
- Share of other comprehensive income of associates	6	**64,484**	27,287
- Exchange differences on translation of foreign operations		**(7,988,344)**	1,502,283
		(5,465,635)	5,310,752
Other comprehensive income that will not to be reclassified subsequently to consolidated statement of income:			
Revaluation of property and equipment	5	**3,750,996**	4,270,048
Other comprehensive (loss) income for the year		**(1,714,639)**	9,580,800
Total comprehensive income for the year		**18,379,056**	24,863,599
Attributable to:			
Equity holders of the Parent Company		**15,676,319**	21,019,886
Non-controlling interests		**2,702,737**	3,843,713
		18,379,056	24,863,599

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 KD	2019 KD
ASSETS			
Property and equipment	5	**36,947,614**	35,215,083
Right-of-use assets		**1,275,739**	2,213,395
Investment in associates	6	**43,450,670**	43,437,290
Goodwill	7	**15,104,460**	15,104,460
Financial instruments:			
Investments held to maturity		**38,346,604**	29,687,204
Debt securities (loans)		**15,323,871**	13,604,047
Investments available for sale	8	**49,022,248**	44,951,045
Investments carried at fair value through profit or loss	9	**31,976,268**	26,329,719
Loans secured by life insurance policies		**866,057**	1,104,147
Premiums and insurance balances receivable	10	**132,221,819**	142,633,886
Reinsurance recoverable on outstanding claims	11	**282,416,222**	247,320,982
Investment properties		**8,257,841**	6,166,079
Other assets	12	**31,179,594**	28,457,095
Time deposits	13	**42,981,556**	39,280,244
Cash and cash equivalents	14	**71,338,249**	87,661,768
TOTAL ASSETS		**800,708,812**	763,166,444
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS			
Share capital	15	**18,703,913**	18,703,913
Share premium		**3,600,000**	3,600,000
Treasury shares	16	**(429,455)**	(429,455)
Treasury shares reserve		**3,099,292**	3,099,292
Statutory reserve	17	**18,703,913**	18,703,913
Voluntary reserve	18	**29,284,717**	27,558,098
Other reserve		**(2,836,728)**	(2,836,728)
Cumulative changes in fair values		**3,587,796**	1,529,248
Foreign currency translation adjustments		**(25,226,240)**	(19,841,408)
Revaluation reserve		**14,906,856**	12,241,253
Retained earnings		**54,008,340**	46,474,233
Equity attributable to equity holders of the Parent Company		**117,402,404**	108,802,359
Non-controlling interests		**27,928,178**	26,044,031
Total equity		**145,330,582**	134,846,390
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve	11	**371,219,000**	319,935,216
Unearned premiums reserve	11	**56,153,606**	59,508,501
Life mathematical reserve	11	**33,043,624**	26,370,500
Incurred but not reported reserve	11	**933,423**	2,586,940
Total liabilities arising from insurance contracts		**461,349,653**	408,401,157
Premiums received in advance		**3,190,992**	5,751,229
Insurance payable	19	**127,200,377**	125,719,810
Other liabilities	20	**63,637,208**	51,379,273
Long term loans	14	**-**	35,333,500
Bank overdrafts	14	**-**	1,735,085
TOTAL LIABILITIES		**655,378,230**	628,320,054
TOTAL EQUITY AND LIABILITIES		**800,708,812**	763,166,444

Farqad A. Al-Sane
Chairman

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company													
	Share Capital *KD*	*Share premium* *KD*	*Treasury shares* *KD*	*Treasury share reserve* *KD*	*Statutory reserve* *KD*	*Voluntary reserve* *KD*	*Other reserve* *KD*	*Cumulative changes in fair values* *KD*	*Foreign currency translation adjustments* *KD*	*Revaluation reserve* *KD*	*Retained earnings* *KD*	*Sub-total* *KD*	*Non-controlling interests* *KD*	*Total equity* *KD*
As at 1 January 2020	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	1,529,248	(19,841,408)	12,241,253	46,474,233	108,802,359	26,044,031	134,846,390
Profit for the year	-	-	-	-	-	-	-	-	-	-	16,337,000	16,337,000	3,756,695	20,093,695
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	2,058,548	(5,384,832)	2,665,603	-	(660,681)	(1,053,958)	(1,714,639)
Total comprehensive income for the year	-	-	-	-	-	-	-	2,058,548	(5,384,832)	2,665,603	16,337,000	15,676,319	2,702,737	18,379,056
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	-	-	(7,076,274)	(7,076,274)	-	(7,076,274)
Transfer to voluntary reserve	-	-	-	-	-	1,726,619	-	-	-	-	(1,726,619)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(818,590)	(818,590)
As at 31 December 2020	**18,703,913**	**3,600,000**	**(429,455)**	**3,099,292**	**18,703,913**	**29,284,717**	**(2,836,728)**	**3,587,796**	**(25,226,240)**	**14,906,856**	**54,008,340**	**117,402,404**	**27,928,178**	**145,330,582**

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company													
	Share Capital KD	*Share premium KD*	*Treasury shares KD*	*Treasury share reserve KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Other reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation adjustments KD*	*Revaluation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	26,149,664	(3,101,138)	(1,778,260)	(20,903,698)	8,939,446	40,978,391	89,140,379	23,282,933	112,423,312
Profit for the year	-	-	-	-	-	-	-	-	-	-	13,348,281	13,348,281	1,934,518	15,282,799
Other comprehensive income for the year	-	-	-	-	-	-	-	3,307,508	1,062,290	3,301,807	-	7,671,605	1,909,195	9,580,800
Total comprehensive income for the year	-	-	-	-	-	-	-	3,307,508	1,062,290	3,301,807	13,348,281	21,019,886	3,843,713	24,863,599
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	-	-	(6,444,005)	(6,444,005)	-	(6,444,005)
Change in ownership of a subsidiary	-	-	-	-	-	-	264,410	-	-	-	-	264,410	(617,194)	(352,784)
Transfer to voluntary reserve	-	-	-	-	-	1,408,434	-	-	-	-	(1,408,434)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(465,421)	(465,421)
Sale of Treasury Shares	-	-	3,773,612	1,048,077	-	-	-	-	-	-	-	4,821,689	-	4,821,689
As at 31 December 2019	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	1,529,248	(19,841,408)	12,241,253	46,474,233	108,802,359	26,044,031	134,846,390

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	*2020* *KD*	*2019* *KD*
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**24,259,171**	19,224,759
Adjustments for:			
Depreciation	5	**2,105,882**	1,734,493
Depreciation of right of use assets		**953,895**	812,784
Net investment income		**(15,575,936)**	(14,560,136)
Impairment losses	3	**1,659,770**	1,852,012
Share of results of associates	6	**248,307**	(1,534,412)
Change in fair value of investment properties	3	**(867,711)**	(754,581)
Finance costs		**2,557,778**	3,444,736
		15,341,156	10,219,655
Changes in operating assets and liabilities:			
Investments carried at fair value through profit or loss		**(4,999,326)**	(94,595)
Premiums and insurance balances receivable		**10,412,067**	(32,779,709)
Reinsurance recoverable on outstanding claims		**(35,095,240)**	(116,352,410)
Other assets		**560,286**	3,351,037
Liabilities arising from insurance contracts		**52,948,496**	127,385,529
Premiums received in advance		**(2,560,237)**	1,374,516
Insurance payable		**1,480,567**	50,418,065
Other liabilities		**9,483,946**	1,654,900
		47,571,715	45,176,988
Paid to KFAS		**(87,450)**	(132,861)
Paid to NLST		**(265,523)**	(340,333)
Zakat paid		**-**	(93,637)
Paid to directors		**(185,000)**	(185,000)
Net cash flows from operating activities		**47,033,742**	44,425,157
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(2,800,188)**	(4,098,789)
Proceeds from sale of property and equipment	5	**1,090,890**	1,641,246
Purchase of investment properties		**(1,354,939)**	-
Purchase of investment in associate	6	**(790,874)**	(125,043)
Dividend received from associates	6	**593,671**	1,518,891
Movement in investment held to maturity		**(8,659,400)**	(6,458,149)
Movement in debt securities (loans)		**(1,719,824)**	3,047,813
Net movement on investments available for sale		**(626,068)**	1,043,244
Movement in loans secured by life insurance policies		**238,090**	162,490
Advance towards acquisition of investment		**(505,500)**	(2,511,803)
Time deposits placed		**(3,701,312)**	(6,602,161)
Interest income received		**8,430,895**	8,370,390
Dividend income received		**779,827**	1,182,365
Net cash flows used in investing activities		**(9,024,732)**	(2,829,506)
FINANCING ACTIVITIES			
Term loans		**(35,333,500)**	35,333,500
Proceeds from sale of treasury shares		**-**	4,821,689
Payment of lease liability		**(937,659)**	(928,385)
Dividends paid	15	**(7,076,274)**	(6,444,005)
Dividends to non-controlling interests		**(818,590)**	(465,421)
Finance costs paid		**(2,473,633)**	(3,331,786)
Acquisition of non-controlling interests		**-**	(352,784)
Net cash flows (used in) from financing activities		**(46,639,656)**	28,632,808
Foreign currency translation adjustments		**(5,957,788)**	(2,572,362)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(8,630,646)**	67,656,097
Cash and cash equivalents at beginning of the year		**85,926,683**	18,270,586
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**71,338,249**	85,926,683

The attached notes 1 to 31 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 23 February 2021. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 45.99% (31 December 2019: 45.99%) owned by Kuwait Projects Company Holding K.S.C. and 43.43% (31 December 2019: 43.43%) by Fairfax Middle East Limited Company.

The address of the Parent Company's registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 40, Office No 1 & 2, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 2,377 employees as at 31 December 2020 (31 December 2019: 2,447 employees).

2.1 BASIS OF PREPARATION

The consolidated financial statements 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 a historical cost convention modified to include the measurement at fair value of investments carried at fair value through profit or loss, investments available for sale, investment properties and land and buildings. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. 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.

2.2 BASIS OF CONSOLIDATION (continued)

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
- The Group's voting rights and potential voting rights

The Group re-assesses 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group 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 statements of subsidiaries to bring their 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

2.3.1 Summary of accounting policies for new transactions and events

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3.2 New and amended accounting policies, standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statement are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.2 New and amended accounting policies, standards and interpretations (continued)

Amendments to IFRS 3: *Definition of a Business*
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on consolidated financial statements of the Group but may impact in the future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform:*
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate bench marker form. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: *Definition of Material:*
The amendments provide a new definition of material that states, “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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact consolidated financial statements of the Group.

Amendments to IFRS 16 *COVID-19 Related Rent Concessions*
On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised IASB 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 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 2018, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance. 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 2018.

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 2018, 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 2023 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.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB 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.

a) Classification and measurement

Financial Assets	*Classification*		*Description*
	IAS 39	*IFRS 9*	
Equity instruments including Private equity investments	AFS	FVOCI	The instruments that were classified as available-for-sale ("AFS") investments and carried at fair value. These instruments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling in the open market, 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 fair value through other comprehensive income ("FVOCI") upon the application of IFRS 9.
Debt instruments (Bonds)	Held to maturity	At amortised cost	The instruments that were classified as held to maturity investments and carried at amortised cost. These instruments are held within a business model whose objective is achieved both 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 continue to be subsequently measured at amortised cost upon the application 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.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB 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.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB 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 2023, 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. 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 paid with benefits payable if the insured event did not occur.

Investment contracts
Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable.

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 expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group elects whether it 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 general and 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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured.

Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in 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.

Revenue recognition
Premiums earned
Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Commissions earned and paid
Commissions earned and paid are recognised at the time of recognition of the related premiums.

Policy issuance fees
Insurance and investment contract 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
Interest income is recognised using the effective interest rate method.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Dividend income
Dividend income is recognised when the right to receive payment is established.

Rental income
Rental income is recognised on a straight line basis over the term of the lease.

Realised gains and losses
Realised gains and losses include gain and loss on financial assets and are calculated as the difference between net sales proceeds and the carrying value, and are recorded on occurrence of the sale transactions.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to consolidated statement of income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the reporting date.

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

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The Deferred policy Acquisition Costs (DAC) are subsequently amortised over the term of the insurance contracts to which they relate as premiums are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the consolidated statement of income. DAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are settled or disposed of.

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. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held
In order to minimise financial exposure from large claims the Group enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurance recoverable on outstanding claims" in the consolidated statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to "premiums and insurance balances receivables".

Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognised as income and 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 associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

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 should be excluded from profit for the period when determining the contribution.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and related resolutions at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, 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 at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Property and equipment
Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Land is not depreciated. Valuations are performed with sufficient frequency (three years) to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in consolidated statement of income, the increase is recognised in profit and loss. A revaluation deficit is recognised in the consolidated statement of consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Furniture and fixtures, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Buildings	20 – 50	years
Leasehold improvements	Up to 7	years
Computers	3 – 5	years
Furniture and fixtures	1 – 2	years
Motor vehicles	1 – 4	years

Leases
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 in 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 in-substance fixed 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 of 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.

2.5 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, but is not control or joint control over those policies.

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

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, 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 additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any 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 amount 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, financial asset available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (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 investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans and other receivables time deposits and cash and cash equivalents.

Subsequent measurement

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

Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the effective interest rate, less impairment. The effective interest rate, amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate, less allowance for impairment. 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 effective interest rate. The effective interest rate amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Investments available for sale

Investments available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as "loans and receivables". After initial measurement, investments available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income. Investments available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss include financial assets held for trading and those designated at fair value through consolidated statement of income at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through consolidated statement of income, the following criteria must be met:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Subsequent measurement (continued)
Investments carried at fair value through profit or loss (continued)

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated statement of income.

Receivables
Accounts receivable are stated at their face value less impairment losses or provision for doubtful accounts.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flow, cash and cash equivalent consist of cash on hand and at banks, short term deposits and call accounts net of bank overdrafts.

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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.

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.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that 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 re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Investments available for sale
For investments 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Investments available for sale (continued)

In the case of equity investments classified as 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. Where 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 recognized directly in other comprehensive income.

Fair values of financial instruments and further details as to how they are measured are provided in Note 29.

Financial liabilities

Financial liabilities consist of insurance payable and certain items under other payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

Initial recognition and measurement

Financial liabilities are initially recognised at fair value.

Subsequent measurement

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

Insurance payables

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

De-recognition of financial liabilities

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Fair values

For those assets and liabilities carried at fair value, the Group measures 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 Group must be able to access the principal or the most advantageous market at the measurement date.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)
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 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 recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments with no reliable measure of their fair value and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Investment properties
Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date that is determined based on valuation performed by an independent valuer using valuation methods consistent with the nature and usage of the investment properties. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in consolidated statement of income in the year of retirement or disposal.

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

Outstanding claims reserve
Outstanding claims comprise the estimated cost of claims incurred and reported but not settled at the reporting date. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

Unearned premium reserve
The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

Life mathematical reserve
The reserve for the life business at the reporting date represents the mathematical liability of policies in force at that date as determined by the Group's actuaries.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Incurred but not reported reserve
The incurred but not reported reserve includes amounts reserved for claims incurred but not reported at the financial position date in addition to other contingencies and any differences that may arise. 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.

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on reporting date.

Treasury shares
Treasury shares consist of the Parent Company'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.

Foreign currency transactions
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group 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 retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 retranslation of non-monetary items is treated in line with the recognition of gain or loss on 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 is also recognised in other comprehensive income or consolidated statement of income, respectively).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

ii) Group companies
On consolidation, assets and liabilities of foreign operations are translated into Kuwaiti dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Contingencies
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.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm’s length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Non-life insurance contract liabilities (Insurance technical reserves)
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) 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 ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Group’s past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, 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.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)

Non-life insurance contract liabilities (Insurance technical reserves) (continued)
Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor 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 historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example 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 conditions 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. A margin for adverse deviation may also be included in the liability valuation.

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

Life insurance contract liabilities (Life mathematical reserve)
The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity tables on standard industry and national 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 to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

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.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

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

Classification of investments
Management decides on acquisition of an investment whether it should be classified as available for sale or investments carried at fair value through profit or loss or held to maturity investments. The Group classifies investments as carried at fair value through profit or loss if the fair value can be reliably determined. The Group classifies investment as "held to maturity" if they meet the relevant criteria for each classification. All other investments are classified as available for sale.

Impairment of investments
The Group treats investments available for sale 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 and the discount factors for unquoted equities.

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

3 NET INVESTMENT INCOME

Net investment income for the year from life and medical insurance segments, analysed by category, is as follows:

	Debt securities (loans) KD	*Investments carried at fair value through profit or loss KD*	*Time and call deposits KD*	*2020 Total KD*	*2019 Total KD*
Realised gain	**-**	**942,087**	**-**	**942,087**	1,036,269
Unrealised gain	**-**	**474,844**	**-**	**474,844**	1,504,874
Dividend income	**-**	**51,889**	**-**	**51,889**	58,091
Interest income	**460,730**	**-**	**109,262**	**569,992**	466,131
Other investment income	**-**	**117,529**	**-**	**117,529**	132,814
Total investment income	**460,730**	**1,586,349**	**109,262**	**2,156,341**	3,198,179
Financial charges and other expenses	**-**	**(30,298)**	**-**	**(30,298)**	(112,818)
Total investment expense	**-**	**(30,298)**	**-**	**(30,298)**	(112,818)
Net investment income	**460,730**	**1,556,051**	**109,262**	**2,126,043**	3,085,361

3 NET INVESTMENT INCOME (continued)

Net investment income for the year from non-life risk insurance segment, analysed by category, is as follows:

	Investments held to maturity KD	*Investments available for sale KD*	*Investments carried at fair value through profit or loss KD*	*Investment properties KD*	*Time and call deposits KD*	*Other investment income KD*	*2020 Total KD*	*2019 Total KD*
Realised gain	**-**	**2,940,706**	**81,868**	**-**	**-**	**-**	**3,022,574**	3,040,248
Unrealised loss	**-**	**-**	**(851,576)**	**-**	**-**	**-**	**(851,576)**	(990,064)
Dividend income	**-**	**727,774**	**164**	**-**	**-**	**-**	**727,938**	1,124,274
Interest income	**4,792,411**	**-**	**-**	**-**	**3,068,492**	**273,873**	**8,134,776**	7,904,259
Rental income	**-**	**-**	**-**	**114,893**	**-**	**-**	**114,893**	97,124
Change in fair value of investment properties	**-**	**-**	**-**	**867,711**	**-**	**-**	**867,711**	754,581
Other investment income	**-**	**-**	**-**	**-**	**-**	**5,391,910**	**5,391,910**	1,946,309
Total investment income (loss)	**4,792,411**	**3,668,480**	**(769,544)**	**982,604**	**3,068,492**	**5,665,783**	**17,408,226**	13,876,731
Impairment loss (Note 8)	**-**	**(1,659,770)**	**-**	**-**	**-**	**-**	**(1,659,770)**	(1,852,012)
Other investment expenses	**-**	**(640,390)**	**-**	**-**	**-**	**(2,335,339)**	**(2,975,729)**	(1,550,251)
Total investment expense	**-**	**(2,300,160)**	**-**	**-**	**-**	**(2,335,339)**	**(4,635,499)**	(3,402,263)
Net investment income (loss)	**4,792,411**	**1,368,320**	**(769,544)**	**982,604**	**3,068,492**	**3,330,444**	**12,772,727**	10,474,468

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares, less weighted average number of treasury shares outstanding during the year. Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less weighted average number of treasury shares, outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employees' share option scheme.

The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2020	*(Restated)* 2019*
Profit for the year attributable to equity holders of the Parent Company (KD)	**16,337,000**	13,348,281
	Shares	*Shares*
Number of shares outstanding at the beginning of the year	**192,252,277**	192,252,277
Weighted average number of treasury shares	**(844,290)**	(5,963,088)
Weighted average number of shares outstanding during the year	**191,407,987**	186,289,189
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**85.35 fils**	71.65 fils

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

* Basic and diluted earnings per share for the year 2019 has been adjusted to reflect the adjustments of the right issue (Note15).

5 PROPERTY AND EQUIPMENT

	Land *KD*	*Buildings* *KD*	*Leasehold improvements* *KD*	*Computers* *KD*	*Furniture and Fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:							
As at 1 January 2020	**15,913,719**	**20,659,388**	**2,422,969**	**9,584,020**	**5,194,211**	**889,337**	**54,663,644**
Additions	**751,420**	**481,444**	**52,067**	**1,005,249**	**415,017**	**94,991**	**2,800,188**
Disposals	**(397,719)**	**(1,179,492)**	**(22,894)**	**(1,015,244)**	**(271,521)**	**(65,230)**	**(2,952,100)**
Revaluation adjustment	**563,285**	**3,187,711**	**-**	**-**	**-**	**-**	**3,750,996**
Exchange differences	**(713,383)**	**(842,686)**	**(184,900)**	**(348,607)**	**(53,589)**	**(43,302)**	**(2,186,467)**
As at 31 December 2020	**16,117,322**	**22,306,365**	**2,267,242**	**9,225,418**	**5,284,118**	**875,796**	**56,076,261**
Accumulated depreciation:							
As at 1 January 2020	**-**	**4,460,054**	**1,658,193**	**8,478,216**	**4,325,413**	**526,685**	**19,448,561**
Charge for the year	**-**	**607,152**	**481,686**	**668,848**	**250,529**	**97,667**	**2,105,882**
On disposals	**-**	**(513,077)**	**(1,812)**	**(1,010,497)**	**(270,406)**	**(65,418)**	**(1,861,210)**
Exchange differences	**-**	**(108,305)**	**(88,447)**	**(299,305)**	**(44,902)**	**(23,627)**	**(564,586)**
As at 31 December 2020	**-**	**4,445,824**	**2,049,620**	**7,837,262**	**4,260,634**	**535,307**	**19,128,647**
Net carrying amount:							
As at 31 December 2020	**16,117,322**	**17,860,541**	**217,622**	**1,388,156**	**1,023,484**	**340,489**	**36,947,614**

Part of the Group's buildings with net carrying amount of KD 1,260,000 (2019: KD 1,260,000) have been mortgaged with the Ministry of Commerce and Industry.

5 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Buildings* *KD*	*Leasehold improvements* *KD*	*Computers* *KD*	*Furniture and Fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:							
As at 1 January 2019	12,738,867	17,847,855	1,939,196	9,147,960	4,984,918	715,061	47,373,857
Additions	1,298,249	1,008,675	491,627	678,927	327,043	294,268	4,098,789
Disposals	(1,014,004)	(532,857)	(6,882)	(128,005)	(108,550)	(130,390)	(1,920,688)
Revaluation adjustment	2,454,176	1,815,872	-	-	-	-	4,270,048
Exchange differences	436,431	519,843	(972)	(114,862)	(9,200)	10,398	841,638
As at 31 December 2019	15,913,719	20,659,388	2,422,969	9,584,020	5,194,211	889,337	54,663,644
Accumulated depreciation:							
As at 1 January 2019	-	3,888,481	1,418,361	8,109,127	4,154,339	532,776	18,103,084
Charge for the year	-	594,198	241,723	550,468	238,567	109,537	1,734,493
On disposals	-	(16,991)	(4,961)	(77,194)	(62,331)	(117,965)	(279,442)
Exchange differences	-	(5,634)	3,070	(104,185)	(5,162)	2,337	(109,574)
As at 31 December 2019	-	4,460,054	1,658,193	8,478,216	4,325,413	526,685	19,448,561
Net carrying amount:							
As at 31 December 2019	15,913,719	16,199,334	764,776	1,105,804	868,798	362,652	35,215,083

6 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership*		*Principal Activity*
		2020	*2019*	
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj)	Kingdom of Saudi Arabia	**28.5%**	27%	Insurance
Al-Argan International Real Estate Company K.S.C.P. (Al-Argan)	State of Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	State of Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC")	Algeria	**42.5%**	42.5%	Insurance
Health 360 Ancillary Service Company W.L.L. ("H-360")	Bahrain	**41%**	41%	Third party administration - Claims

Carrying amount of investment in associates

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

	2020	*2019*
	KD	*KD*
Carrying value at 1 January	**43,437,290**	43,269,439
Additions	**790,874**	125,043
Dividends received	**(593,671)**	(1,518,891)
Share of results of associates	**(248,307)**	1,534,412
Share of other comprehensive loss of associates	**(105,651)**	(137,760)
Foreign currency translation adjustments	**170,135**	165,047
Carrying value at 31 December	**43,450,670**	43,437,290

6 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates of the Group is as follows:

	Al-Buruj KD	*Al-Argan KD*	*Others KD*	***2020 KD***	*2019 KD*
Share of associates' financial position:					
Assets	20,332,190	45,484,895	44,262,601	**110,079,686**	102,242,793
Liabilities	(10,469,802)	(28,572,072)	(30,542,174)	**(69,584,048)**	(61,405,209)
Net assets	9,862,388	16,912,823	13,720,427	**40,495,638**	40,837,584
Goodwill	995,490	-	1,959,542	**2,955,032**	2,599,706
Net assets	10,857,878	16,912,823	15,679,969	**43,450,670**	43,437,290
Share of associates' revenues and net profit:					
Revenues	3,477,227	(247,166)	6,051,209	**9,281,270**	13,733,008
Net profit	(228,872)	(1,144,772)	1,125,337	**(248,307)**	1,534,412

Investment in associates includes a quoted associate with a carrying value of KD 38,044,117 (2019: KD 38,294,367) having a market value of KD 30,014,839 (2019: KD 24,435,557).

7 GOODWILL

Goodwill has been allocated to individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is shown below:

	2020 KD	*2019 KD*
Arab Misr Insurance Group Company S.A.E.	**308,340**	308,340
Bahrain Kuwaiti Insurance Company B.S.C.	**2,625,935**	2,625,935
Arab Orient Insurance Company J.S.C.	**5,292,099**	5,292,099
Dar Al-Salam Insurance Company	**604,073**	604,073
Egypt Life Takaful Insurance Company S.A.E.	**167,904**	167,904
L'Algerienne Des Assurance (2a)	**3,932,981**	3,932,981
Gulf Sigorta A.Ş.	**2,173,128**	2,173,128
	15,104,460	15,104,460

Movement on goodwill during the year is as follows:

	2020 KD	*2019 KD*
As at I January	**15,104,460**	15,104,460
As at 31 December	**15,104,460**	15,104,460

The recoverable amount of each segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The average discount rate used was 27.04% (2019: 25.18%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 2.5% (2019: 2.74%).

The calculation of value in use for each segment unit is sensitive to the following assumptions:
- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

7 GOODWILL (continued)

Interest margins
Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on published industry research.

Inflation rates
Estimates are obtained from published indices for countries where the Group operates.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

8 INVESTMENTS AVAILABLE FOR SALE

	2020 KD	*2019 KD*
Quoted equity securities	**15,004,816**	11,433,900
Unquoted equity securities	**5,974,572**	5,893,209
Quoted managed funds	**206,524**	221,438
Quoted bonds	**27,464,847**	26,725,541
Unquoted managed funds	**371,489**	676,957
	49,022,248	44,951,045

Impairment loss of KD 1,659,770 (2019: KD 1,852,012) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 KD	*2019 KD*
Held for trading:		
Quoted securities	**4,162,446**	4,844,468
Designated upon initial recognition:		
Managed funds of quoted securities	**27,813,822**	21,485,251
	31,976,268	26,329,719

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2020 ***KD***	*2019* *KD*
Policyholders' accounts receivable		
Premiums receivable	**133,155,275**	138,618,677
Insured debts receivable	**2,446,251**	323,012
	135,601,526	138,941,689
Provision for doubtful debts	**(13,318,677)**	(11,100,398)
Net policyholders' accounts receivable	**122,282,849**	127,841,291

	2020 ***KD***	*2019* *KD*
Insurance and reinsurers' accounts receivable		
Reinsures' receivables	**12,729,472**	18,014,615
Provision for doubtful debts	**(2,790,502)**	(3,222,020)
Net insurance and reinsurers' accounts receivable	**9,938,970**	14,792,595
Total premiums and insurance balances receivable	**132,221,819**	142,633,886

The Group's terms of business require amounts to be paid within the underwriting year, and as such these receivables are remeasured at cost. Arrangements with the reinsurance companies normally require settlement on a quarterly basis.

Movements in the allowance for impairment of policyholders' accounts receivable were as follows:

	2020 ***KD***	*2019* *KD*
As at 1 January	**11,100,398**	11,098,364
Charge for the year	**2,258,644**	349,446
Amounts written off	**(40,365)**	(347,412)
As at 31 December	**13,318,677**	11,100,398

Movements in the allowance for insurance and reinsurers' accounts receivable were as follows:

	2020 ***KD***	*2019* *KD*
As at 1 January	**3,222,020**	2,218,591
(Reversal) Charge for the year	**(431,518)**	1,003,429
As at 31 December	**2,790,502**	3,222,020

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2020	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	**9,263,788**	**40,012,032**	**17,457,755**	**162,514,543**	**34,839,239**	**12,456,460**	**43,391,399**	**319,935,216**
Reinsurance recoverable on outstanding claims	**(7,941,723)**	**(7,459,779)**	**(15,405,661)**	**(159,693,353)**	**(26,983,720)**	**(3,886,486)**	**(25,950,260)**	**(247,320,982)**
Net balance at beginning of the year	**1,322,065**	**32,552,253**	**2,052,094**	**2,821,190**	**7,855,519**	**8,569,974**	**17,441,139**	**72,614,234**
Foreign currency translation difference	**(347,667)**	**(1,233,730)**	**(223,915)**	**119,746**	**(975,962)**	**10,204**	**102,955**	**(2,548,369)**
Incurred during the year (net)	**928,767**	**38,605,801**	**3,192,564**	**4,441,809**	**2,972,372**	**5,513,674**	**73,166,539**	**128,821,526**
Paid during the year (net)	**(177,364)**	**(33,896,896)**	**(1,828,444)**	**(3,926,221)**	**(1,531,754)**	**(4,401,071)**	**(64,322,862)**	**(110,084,612)**
NET BALANCE AT END OF THE YEAR	**1,725,801**	**36,027,428**	**3,192,299**	**3,456,524**	**8,320,175**	**9,692,781**	**26,387,771**	**88,802,778**
Represented in:								
Gross balance at end of the year	**11,296,285**	**42,842,205**	**22,407,328**	**183,543,819**	**39,532,066**	**15,212,388**	**56,384,909**	**371,219,000**
Reinsurance recoverable	**(9,570,485)**	**(6,814,778)**	**(19,215,029)**	**(180,087,296)**	**(31,211,890)**	**(5,519,606)**	**(29,997,138)**	**(282,416,222)**
NET BALANCE AT END OF THE YEAR	**1,725,800**	**36,027,427**	**3,192,299**	**3,456,523**	**8,320,176**	**9,692,782**	**26,387,771**	**88,802,778**
Unearned premiums reserve (net)	**744,907**	**23,251,905**	**3,187,449**	**8,752,156**	**5,082,827**	**1,390,118**	**13,744,244**	**56,153,606**
Life mathematical reserve (net)	**-**	**-**	**-**	**-**	**-**	**32,751,482**	**292,142**	**33,043,624**
Incurred but not reported reserve (net)	**8,915**	**163,599**	**734,571**	**23,657**	**2,681**	**-**	**-**	**933,423**

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2019	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	10,458,453	34,170,660	41,076,397	33,720,183	30,694,562	12,621,358	32,649,307	195,390,920
Reinsurance recoverable on outstanding claims	(9,213,230)	(6,654,930)	(37,730,651)	(30,014,411)	(24,416,880)	(3,781,873)	(19,156,597)	(130,968,572)
Net balance at beginning of the year	1,245,223	27,515,730	3,345,746	3,705,772	6,277,682	8,839,485	13,492,710	64,422,348
Foreign currency translation difference	124,025	532,143	(612,667)	(778,769)	(408,367)	(40,170)	(50,204)	(1,234,009)
Incurred during the year (net)	354,474	46,028,750	1,106,063	4,544,727	3,644,507	2,949,527	70,026,169	128,654,217
Paid during the year (net)	(401,657)	(41,524,370)	(1,787,048)	(4,650,540)	(1,658,303)	(3,178,868)	(66,027,536)	(119,228,322)
NET BALANCE AT END OF THE YEAR	1,322,065	32,552,253	2,052,094	2,821,190	7,855,519	8,569,974	17,441,139	72,614,234
Represented in:								
Gross balance at end of the year	9,263,788	40,012,032	17,457,755	162,514,543	34,839,239	12,456,460	43,391,399	319,935,216
Reinsurance recoverable	(7,941,723)	(7,459,779)	(15,405,661)	(159,693,353)	(26,983,720)	(3,886,486)	(25,950,260)	(247,320,982)
NET BALANCE AT END OF THE YEAR	1,322,065	32,552,253	2,052,094	2,821,190	7,855,519	8,569,974	17,441,139	72,614,234
Unearned premiums reserve (net)	761,947	26,367,949	2,975,864	8,552,556	5,032,547	1,544,906	14,272,732	59,508,501
Life mathematical reserve (net)	-	-	-	-	-	26,142,855	227,645	26.370.500
Incurred but not reported reserve (net)	109,502	1,274,377	874,987	225,215	102,859	-	-	2,586,940

12 OTHER ASSETS

	2020	*2019*
	KD	*KD*
Accrued interest income	**5,967,826**	2,359,605
Inward reinsurance retentions	**330,673**	217,667
Refundable claims	**1,068,706**	1,252,009
Advances towards acquisition of investment	**-**	5,807,064
Prepaid expenses and others	**23,812,389**	18,820,750
	31,179,594	28,457,095

13 TIME DEPOSITS

Time deposits of KD 42,981,556 (2019: KD 39,280,244) are placed with local and foreign banks and carry an average effective interest rate of 7.5% (2019: 10%) per annum. Time deposits mature within one year.

14 CASH AND CASH EQUIVALENTS

	2020	*2019*
	KD	*KD*
Cash on hand and at banks	**22,300,968**	15,054,336
Short term deposits and call accounts	**49,037,281**	72,607,432
Cash and cash equivalents in the consolidated statement of financial position	**71,338,249**	87,661,768
Bank overdrafts	**-**	(1,735,085)
Cash and cash equivalents in the consolidated statement of cash flows	**71,338,249**	85,926,683

Bank overdrafts represents a facility obtained from a local bank and carries an average interest rate of Nil% (2019: 1.24%).

During December 2020, the Parent Company has settled the bank overdraft.

15 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 187,039,125 shares of 100 fils each (2019: 187,039,125 shares) which was fully paid in cash.

Cash dividends, bonus shares and directors' remuneration
At the Board of Directors meeting held on 23 February 2021, the directors of the Parent Company proposed distribution of a cash dividend of Nil (2019: 38 fils) per share for the year ended 31 December 2020. The proposed dividend is subject to the approval of the shareholders at the General Assembly meeting.

The Ordinary Annual General Assembly of the Parent Company's shareholders held on 23 March 2020 approved the payment of cash dividends amounting to KD 7,076,274 for the year ended 31 December 2020 (2019: KD 6,444,005), which represents 38% of paid up share capital (2019: 36%).

Directors' remuneration of KD 185,000 for the year ended 31 December 2020 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' remuneration of KD 185,000 for the year ended 31 December 2019 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 23 March 2020.

Capital increase
On 7 October 2020, the shareholder of the Parent Company held an Extraordinary General Meeting and approved the Board of Directors' proposal relating to an increase of authorized share capital from KD 18,703,913 to KD 35,000,000 by issuing 162,960,870 shares of 100 fils each.

On 8 October 2020, the Parent Company has obtained the required approvals from the Capital Market Authority ("CMA") to increase the issued and paid-up share capital of the Parent Company from KD 18,703,913 to KD 20,123,913 by issuing 14,200,000 shares of offering value 500 fils each including nominal value 100 fils each and share premium 400 fils each.

Subsequent to the reporting date, the Parent Company obtained necessary approvals from regulatory bodies. The rights issue has been fully subscribed resulting in increase in share capital of KD 1,420,000 to be KD 20,123,913 and share premium of KD 5,680,000 to be KD 9,280,000.

16 TREASURY SHARES

	2020	*2019*
Number of shares (share)	**821,396**	821,396
Percentage of issued shares (%)	**0.44%**	0.44%
Market value (KD)	**665,331**	492,838

17 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. 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. The Parent Company discontinued the annual transfer since the reserve has reached 100% of the share capital.

18 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

19 INSURANCE PAYABLE

	2020	*2019*
	KD	*KD*
Policyholders and agencies payables	**20,406,006**	35,214,788
Insurance and reinsurance payables	**104,131,138**	89,513,487
Amounts due to policyholders of Takaful unit (Note 28)	**2,663,233**	991,535
	127,200,377	125,719,810

20 OTHER LIABILITIES

	2020	*2019*
	KD	*KD*
Accrued expenses and others	**49,084,751**	36,185,132
Lease liability	**1,306,194**	2,171,890
Reserve for reinsurance premiums	**2,178,313**	2,403,325
KFAS, NLST and Zakat payables	**744,190**	551,056
Provision for end of service benefits	**10,138,760**	9,882,870
Proposed directors' remuneration	**185,000**	185,000
	63,637,208	51,379,273

21 SEGMENT INFORMATION

a) Segmental consolidated statement of income

The Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. Following are the details of those two primary segments:

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offers savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and FAY products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

Unallocated category comprises of assets and liabilities' relating to the Group's investing activities which do not fall under the Group's primary segments.

Executive Management 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 segment result and is measured consistently with the results in the consolidated financial statements.

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
Year ended 31 December 2020:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	10,228,942	55,116,948	58,740,427	28,386,877	26,825,900	179,299,094	22,383,491	242,754,120	265,137,611	444,436,705
Reinsurance premiums ceded	(7,205,463)	(3,494,209)	(52,142,400)	(19,776,033)	(17,261,107)	(99,879,212)	(5,705,738)	(146,364,913)	(152,070,651)	(251,949,863)
Net premiums written	3,023,479	51,622,739	6,598,027	8,610,844	9,564,793	79,419,882	16,677,753	96,389,207	113,066,960	192,486,842
Movement in unearned premiums reserve	(30,691)	2,855,140	(542,441)	(1,570,863)	(587,278)	123,867	115,861	401,893	517,754	641,621
Movement in life mathematical reserve	-	-	-	-	-	-	(6,031,265)	(64,497)	(6,095,762)	(6,095,762)
Net premiums earned	2,992,788	54,477,879	6,055,586	7,039,981	8,977,515	79,543,749	10,762,349	96,726,603	107,488,952	187,032,701
Commission received on ceded reinsurance	2,041,270	675,099	5,417,601	2,812,854	2,648,473	13,595,297	1,141,846	4,378,959	5,520,805	19,116,102
Policy issuance fees	132,460	699,454	320,106	27,293	124,822	1,304,135	32,194	1,223,277	1,255,471	2,559,606
Net investment income from designated life and medical insurance	-	-	-	-	-	-	1,953,549	172,494	2,126,043	2,126,043
Total revenue	5,166,518	55,852,432	11,793,293	9,880,128	11,750,810	94,443,181	13,889,938	102,501,333	116,391,271	210,834,452
Expenses:										
Claims incurred	928,766	38,605,799	3,192,563	4,441,808	2,972,374	50,141,310	5,513,676	73,166,540	78,680,216	128,821,526
Commission and discounts	1,148,653	7,203,525	3,381,608	1,556,066	3,256,371	16,546,223	3,416,057	2,518,960	5,935,017	22,481,240
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	2,622,449	-	2,622,449	2,622,449
General and administrative expenses	1,263,951	6,783,036	2,989,624	1,911,440	4,718,564	17,666,615	1,638,582	9,649,381	11,287,963	28,954,578
Total expenses	3,341,370	52,592,360	9,563,795	7,909,314	10,947,309	84,354,148	13,190,764	85,334,881	98,525,645	182,879,793
Net underwriting income	1,825,148	3,260,072	2,229,498	1,970,814	803,501	10,089,033	699,174	17,166,452	17,865,626	27,954,659
Net investment income						12,772,727			-	12,772,727
Finance costs						(2,557,778)			-	(2,557,778)
Share of results of associates						(248,307)			-	(248,307)
Net sundry income						1,452,818			1,226,896	2,679,714
Unallocated general and administrative expenses						(7,633,887)			(8,707,957)	(16,341,844)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' remuneration						13,874,606			10,384,565	24,259,171

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

Year ended 31 December 2019:	*General risk insurance*						*Life and medical insurance*			
	Marine and aviation KD	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	10,806,185	60,336,347	49,331,722	29,882,904	26,199,076	176,556,234	19,169,236	198,333,714	217,502,950	394,059,184
Reinsurance premiums ceded	(7,773,014)	(3,257,041)	(43,993,402)	(21,649,037)	(15,533,236)	(92,205,730)	(6,005,326)	(113,171,988)	(119,177,314)	(211,383,044)
Net premiums written	3,033,171	57,079,306	5,338,320	8,233,867	10,665,840	84,350,504	13,163,910	85,161,726	98,325,636	182,676,140
Movement in unearned premiums reserve	5,895	(995,292)	450,533	(931,242)	(462,261)	(1,932,367)	45,119	1,542,155	1,587,274	(345,093)
Movement in life mathematical reserve	-	-	-	-	-	-	(1,030,534)	(3,120)	(1,033,654)	(1,033,654)
Net premiums earned	3,039,066	56,084,014	5,788,853	7,302,625	10,203,579	82,418,137	12,178,495	86,700,761	98,879,256	181,297,393
Commission received on ceded reinsurance	1,980,603	460,996	5,044,661	2,581,633	2,505,236	12,573,129	946,272	4,242,577	5,188,849	17,761,978
Policy issuance fees	189,851	1,205,025	293,265	30,225	189,967	1,908,333	30,688	1,236,199	1,266,887	3,175,220
Net investment income from designated life and medical insurance	-	-	-	-	-	-	3,027,128	58,233	3,085,361	3,085,361
Total revenue	5,209,520	57,750,035	11,126,779	9,914,483	12,898,782	96,899,599	16,182,583	92,237,770	108,420,353	205,319,952
Expenses:										
Claims incurred	354,474	46,028,750	1,106,063	4,544,727	3,644,507	55,678,521	2,949,527	70,026,169	72,975,696	128,654,217
Commission and discounts	1,102,396	7,960,442	2,816,057	1,461,323	3,571,773	16,911,991	2,962,734	2,626,591	5,589,325	22,501,316
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	5,368,202	-	5,368,202	5,368,202
General and administrative expenses	1,365,454	6,761,282	2,685,838	2,207,280	2,819,816	15,839,670	1,653,433	9,662,879	11,316,312	27,155,982
Total expenses	2,822,324	60,750,474	6,607,958	8,213,330	10,036,096	88,430,182	12,933,896	82,315,639	95,249,535	183,679,717
Net underwriting income	2,387,196	(3,000,439)	4,518,821	1,701,153	2,862,686	8,469,417	3,248,687	9,922,131	13,170,818	21,640,235
Net investment income						10,474,468			-	10,474,468
Finance costs						(3,444,736)			-	(3,444,736)
Share of results of associates						1,534,412			-	1,534,412
Net sundry income						1,070,827			1,406,992	2,477,819
Unallocated general and administrative expenses						(8,322,419)			(5,135,020)	(13,457,439)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' remuneration						9,781,969			9,442,790	19,224,759

21 SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2020	***General risk Insurance KD***	***Life and medical insurance KD***	***Un-allocated KD***	***Total KD***
Total assets	**542,518,744**	**132,481,508**	**125,708,560**	**800,708,812**
Total liabilities	**446,942,532**	**152,838,372**	**55,597,326**	**655,378,230**

31 December 2019	*General risk Insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	514,591,829	111,169,809	137,404,806	763,166,444
Total liabilities	424,470,438	121,868,788	81,980,828	628,320,054

Balances relating to investments activities are reported within unallocated category since these activities does not relate to any of the primary two segments.

21 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Segment revenue	**116,509,448**	116,518,891	**25,679,048**	21,219,669	**68,645,956**	67,581,392	**210,834,452**	205,319,952
Segment results (net underwriting income)	**14,825,313**	12,240,751	**4,546,258**	2,176,245	**8,583,088**	7,223,239	**27,954,659**	21,640,235
Profit for the year attributable to equity holders of the Parent Company	**3,632,856**	4,316,466	**1,155,386**	859,141	**11,548,758**	8,172,674	**16,337,000**	13,348,281

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Total assets	**477,545,886**	480,081,232	**93,700,724**	74,969,025	**229,462,202**	208,116,187	**800,708,812**	763,166,444
Total liabilities	**444,754,254**	440,100,903	**63,523,687**	53,871,324	**147,100,289**	134,347,827	**655,378,230**	628,320,054

22 STATUTORY GUARANTEES

The following amounts are held in Kuwait 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:

	2020	*2019*
	KD	*KD*
Current accounts and deposits at banks	**18,975,633**	20,618,677
Loans secured by life insurance policies	**1,100,576**	1,262,691
	20,076,209	21,881,368

Statutory guarantees of KD 37,379,853 (2019: KD 36,374,466) are held outside the State of Kuwait as security for the subsidiary companies' activities.

23 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 59,935,118 (2019: KD 55,335,102).

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

24 COMMITMENTS

The Group does not have future commitments with respect to purchase of financial instruments (2019: Nil).

25 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Risk management also protects policyholders' fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers.

25 RISK MANAGEMENT (continued)

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 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.
- The funds retained in Kuwait should be invested as follows:
  - A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
  - A maximum of 25% may be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies)
  - 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 internal audit and quality control 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) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

Capital management objectives

The capital management objectives are:

- To maintain the required level of financial stability of the Group thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximize the shareholders returns through obtaining the best return on capital.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

In reporting financial strength, capital and solvency is measured using the rules prescribed by the Ministry of Commerce (MOC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written.

25 RISK MANAGEMENT (continued)

(c) Capital management objectives, policies and approach (continued)

Capital management policies
The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Capital management approach
The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholders fund.

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics through the Group's internal Capital Model. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The capital requirements are routinely forecasted on a periodic basis using the Group's internal Capital Model, and assessed against both the forecasted available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the board.

(d) 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 and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, underwriting discipline, prudent claims management practices as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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

(1) Life and medical insurance contracts

Life insurance contracts offered by the Group include whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and FAY.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Pensions 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 higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. 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. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

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. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. 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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical 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 and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the 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 minimise the risk of default.

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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2020			*2019*		
Type of contract	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Whole life insurance	**40,094**	**34,405**	**5,689**	42,957	36,692	6,265
Term insurance	**18,422,176**	**2,175,831**	**16,246,345**	6,258,475	3,067	6,255,408
Pure endowment	**1,437,952**	**-**	**1,437,952**	1,452,837	-	1,452,837
Group life and disability	**-**	**-**	**-**	1,791,514	458,712	1,332,802
Preferred global health	**61,739**	**-**	**61,739**	52,516	-	52,516
FAY	**470,778**	**235,244**	**235,534**	350,257	175,128	175,129
Total life insurance contract	**20,432,739**	**2,445,480**	**17,987,259**	9,948,556	673,599	9,274,957
Unitised pensions (Misk individual policies)	**15,056,365**	**-**	**15,056,365**	17,095,543	-	17,095,543
Total investments contracts	**15,056,365**	**-**	**15,056,365**	17,095,543	-	17,095,543
Total life insurance and investment contracts	**35,489,104**	**2,445,480**	**33,043,624**	27,044,099	673,599	26,370,500
Other life insurance contract liabilities	**93,986,039**	**42,771,127**	**51,214,912**	77,796,427	35,967,678	41,828,749

The geographical concentration of the Group's life insurance and investment contracts with Discretionary Participation Feature (DPF) liabilities is noted below. The disclosure is based on the countries where the business is written.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2020			*2019*		
	Gross liabilities KD	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	**20,432,739**	**2,445,480**	**17,987,259**	9,948,556	673,599	9,274,957

Investment contracts

	2020			*2019*		
	Gross liabilities KD	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	**14,621,965**	**-**	**14,621,965**	14,185,526	-	14,185,526
Europe	**434,400**	**-**	**434,400**	2,910,017	-	2,910,017
Total	**15,056,365**	**-**	**15,056,365**	17,095,543	-	17,095,543

The assumptions that have been provided by an external independent actuarial are as follows:

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

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

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 gender, underwriting class and contract type.

An increase in 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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Key assumptions (continued)

• Longevity

Assumptions are based on standard industry and national tables, 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 gender, 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.

• 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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

The assumptions that have the maximum effect on the consolidated 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 and surrender rates***		***Discount rates***		***Renewal expenses***		***Inflation rate***	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**3%**	3.5%	**N/A**	N/A	**3%**	3%	**"5% of AP+1% of SA"**	"5% of AP+1% of SA"	**2%**	2%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Life term assurance:												
Males	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Females	**A49/52-3yr**	A49/52-3yr	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Sensitivities
The analysis below is performed, by an independent third party actuarial with experience and qualifications, for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit if significant. 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.

Life insurance contracts

31 December 2020

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**(1%)**	**-**	**-**	**(38,000)**
Expenses	**10%**	**260,000**	**260,000**	**(260,000)**
Discount rate	**(1%)**	**66,000**	**66,000**	**(66,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2019

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(41,000)
Expenses	10%	233,000	233,000	(233,000)
Discount rate	-1%	71,000	71,000	(71,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

Investment contracts

31 December 2020

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**(1%)**	**-**	**-**	**(36,000)**
Expenses	**10%**	**56,000**	**56,000**	**(56,000)**
Discount rate	**(1%)**	**58,000**	**58,000**	**(58,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2019

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(40,000)
Expenses	10%	47,000	47,000	(47,000)
Discount rate	-1%	55,000	55,000	(55,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: marine and aviation, property, motor, and general accidents. 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 vary in relation to the type of risk insured, location of the risk insured and by industry.

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 below risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. 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 and geography. 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.

In additions; the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

	2020			*2019*		
Concentration of insurance contract liabilities by type of contract:	***Gross liabilities KD***	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**12,521,276**	**10,206,017**	**2,315,259**	11,057,253	8,918,376	2,138,877
Motor vehicles	**58,967,895**	**6,343,368**	**52,624,527**	61,202,072	7,085,287	54,116,785
Property	**46,241,117**	**39,537,323**	**6,703,794**	39,044,996	33,458,414	5,586,582
Engineering	**205,869,777**	**193,894,684**	**11,975,093**	187,433,141	176,085,205	11,347,936
General Accidents	**47,842,390**	**34,778,468**	**13,063,923**	43,766,202	31,022,283	12,743,919
Total	**371,442,455**	**284,759,860**	**86,682,595**	342,503,664	256,569,565	85,934,099

The geographical concentration of the Group's non-life insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written.

	2020			*2019*		
Geographical concentration of insurance contract liabilities:	***Gross liabilities KD***	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net Liabilities KD*
Kuwait	**221,692,647**	**198,018,554**	**23,674,093**	200,714,116	175,257,214	25,456,902
GCC and Middle East countries	**149,749,808**	**86,741,305**	**63,008,503**	141,789,548	81,312,351	60,477,197
Total	**371,442,455**	**284,759,859**	**86,682,596**	342,503,664	256,569,565	85,934,099

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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 contribution to KFAS, NLST, Zakat tax and directors' fees.

31 December 2020	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	**±15%**	**10,199,948**	**4,438,405**	**4,438,405**
Average number of claim	**±15%**	**18,657**	**15,785**	**294,646**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**6,799,965**	**3,666,035**	**298,908**

31 December 2019	*Change in assumption*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	±15%	9,429,951	4,583,324	4,583,324
Average number of claim	±15%	18,083	15,299	285,577
Average claim settlement paid	Reduce from 18 months to 12 months	6,286,634	3,389,285	276,344

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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.

31 December 2020

	2011 *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	*2018* *KD*	*2019* *KD*	***Total*** ***KD***
At end of accident year	**2,119,521,463**	**94,021,887**	**89,026,900**	**90,713,406**	**115,767,181**	**238,320,212**	**255,471,027**	**267,596,942**	**248,274,591**	
One year later	**530,146,092**	**123,049,429**	**115,028,898**	**107,262,772**	**126,453,059**	**247,717,822**	**417,969,325**	**277,812,148**	**-**	
Two years later	**526,805,832**	**120,765,501**	**113,348,740**	**110,122,254**	**127,039,952**	**249,880,510**	**457,918,674**	**-**	**-**	
Three years later	**523,078,851**	**115,594,283**	**116,039,580**	**110,259,331**	**129,815,384**	**251,175,926**	**-**	**-**	**-**	
Four years later	**520,133,707**	**117,928,059**	**116,640,216**	**110,153,936**	**127,072,903**	**-**	**-**	**-**	**-**	
Five years later	**527,025,346**	**118,293,459**	**116,230,969**	**111,354,651**	**-**	**-**	**-**	**-**	**-**	
Six years later	**529,302,203**	**117,173,255**	**115,228,785**	**-**	**-**	**-**	**-**	**-**	**-**	
Seven years later	**527,901,574**	**118,009,332**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Eight years later	**530,103,555**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Current estimate of cumulative claims incurred	**530,103,555**	**118,009,332**	**115,228,785**	**111,354,651**	**127,072,903**	**251,175,926**	**457,918,674**	**277,812,148**	**248,274,591**	**2,236,950,565**

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2011 *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	*2018* *KD*	*2019* *KD*	***Total*** ***KD***
At end of accident year	**(1,655,191,796)**	**(56,598,561)**	**(56,835,392)**	**(56,656,953)**	**(66,991,620)**	**(157,856,387)**	**(159,030,549)**	**(186,462,705)**	**(166,653,402)**	
One year later	**(485,674,703)**	**(97,894,885)**	**(101,990,575)**	**(94,952,494)**	**(108,464,895)**	**(226,848,691)**	**(250,709,111)**	**(250,875,695)**	**-**	
Two years later	**(494,339,111)**	**(105,857,873)**	**(106,695,945)**	**(99,651,928)**	**(115,876,615)**	**(237,902,567)**	**(274,560,651)**	**-**	**-**	
Three years later	**(500,783,859)**	**(111,063,406)**	**(108,289,763)**	**(101,702,109)**	**(120,419,608)**	**(241,752,445)**	**-**	**-**	**-**	
Four years later	**(503,482,453)**	**(112,244,491)**	**(109,725,151)**	**(103,123,921)**	**(122,060,616)**	**-**	**-**	**-**	**-**	
Five years later	**(505,199,738)**	**(113,061,455)**	**(110,695,544)**	**(104,298,113)**	**-**	**-**	**-**	**-**	**-**	
Six years later	**(511,895,404)**	**(113,436,422)**	**(111,038,920)**	**-**	**-**	**-**	**-**	**-**	**-**	
Seven years later	**(514,548,724)**	**(113,916,418)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Eight years later	**(515,525,809)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Cumulative payment to date	**(515,525,809)**	**(113,916,418)**	**(111,038,920)**	**(104,298,113)**	**(122,060,616)**	**(241,752,445)**	**(274,560,651)**	**(250,875,695)**	**(166,653,402)**	**(1,900,682,069)**
Gross insurance contract outstanding claims at 31 December 2020	**14,577,746**	**4,092,914**	**4,189,865**	**7,056,538**	**5,012,287**	**9,423,481**	**183,358,023**	**26,936,453**	**81,621,189**	**336,268,496**
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2020									**35,883,927**	**35,883,927**
Total gross insurance outstanding claims provision per consolidated statement of financial position at 31 December 2020	**14,577,746**	**4,092,914**	**4,189,865**	**7,056,538**	**5,012,287**	**9,423,481**	**183,358,023**	**26,936,453**	**117,505,116**	**372,152,423**

25 RISK MANAGEMENT (continued)

(e) 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.

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).
- 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 2020			
Exposure to credit risk by classifying financial assets according to type of insurance	***General KD***	***Life KD***	***Unit linked KD***	***Total KD***
Investments held to maturity	**37,532,546**	**814,058**	**-**	**38,346,604**
Debt securities (loans)	**3,239,871**	**7,509,605**	**4,574,395**	**15,323,871**
Loans secured by life insurance policies	**-**	**2,156**	**863,901**	**866,057**
Policyholders' accounts receivable (gross)	**117,123,387**	**18,478,139**	**-**	**135,601,526**
Reinsurers' accounts receivable (gross)	**11,690,391**	**1,039,081**	**-**	**12,729,472**
Reinsurance recoverable on outstanding claims	**250,607,392**	**31,808,830**	**-**	**282,416,222**
Time deposits	**30,542,765**	**12,438,791**	**-**	**42,981,556**
Cash and cash equivalents	**68,905,048**	**2,433,201**	**-**	**71,338,249**
Total credit risk exposure	**519,641,400**	**74,523,861**	**5,438,296**	**599,603,557**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to type of insurance	31 December 2019			
	General *KD*	*Life* *KD*	*Unit linked* *KD*	*Total* *KD*
Investments held to maturity	28,656,894	1,030,310	-	29,687,204
Debt securities (loans)	2,938,047	6,800,605	3,865,395	13,604,047
Loans secured by life insurance policies	-	3,571	1,100,576	1,104,147
Policyholders’ accounts receivable (gross)	122,769,661	16,172,028	-	138,941,689
Reinsurers’ accounts receivable (gross)	16,609,052	1,405,563	-	18,014,615
Reinsurance recoverable on outstanding claims	220,353,666	26,967,316	-	247,320,982
Other assets	548,257	-	-	548,257
Time deposits	25,011,306	14,268,938	-	39,280,244
Cash and cash equivalents	85,956,251	1,705,517	-	87,661,768
Total credit risk exposure	502,843,134	68,353,848	4,965,971	576,162,953

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2020 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	***AAA KD***	***AA KD***	***A KD***	***BBB KD***	***BB and below KD***	***Not rated KD***	***Total KD***
31 December 2020							
Investments held to maturity	-	-	**1,606,843**	**29,287,977**	**7,329,971**	**121,813**	**38,346,604**
Debt securities (loans)	-	-	**7,866,000**	**7,457,871**	-	-	**15,323,871**
Loans secured by life insurance policies	-	-	-	-	-	**866,057**	**866,057**
Policyholders' accounts receivable (gross)	-	**61,085,135**	**8,888,801**	**4,235,598**	**8,513,881**	**52,878,111**	**135,601,526**
Reinsurers accounts receivable (gross)	-	**610,654**	**4,238,844**	**1,917,877**	**3,019,085**	**2,943,012**	**12,729,472**
Reinsurance recoverable on outstanding claims	**1,123,650**	**98,499,582**	**162,081,799**	**5,954,175**	**7,528,929**	**7,228,087**	**282,416,222**
Other assets	-	-	-	-	-	-	-
Time Deposits	-	-	**19,828,885**	**7,120,405**	**4,049,451**	**11,982,815**	**42,981,556**
Cash and cash equivalents	-	**392,669**	**27,888,279**	**13,476,165**	**21,223,820**	**8,357,316**	**71,338,249**
Total credit risk exposure	**1,123,650**	**160,588,040**	**232,399,451**	**69,450,068**	**51,665,137**	**84,377,211**	**599,603,557**

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2020	***High grade KD***	***Standard grade KD***	***Past due or impaired KD***	***Total KD***
Investments held to maturity	**121,384**	-	**429**	**121,813**
Loan secured by life insurance policy	**863,901**	**2,156**	-	**866,057**
Policyholders' accounts receivable (gross)	**41,316,308**	**5,184,058**	**6,377,746**	**52,878,112**
Reinsurance accounts receivable (gross)	**2,291,225**	**651,787**	-	**2,943,012**
Reinsurance recoverable on outstanding claims	**3,647,408**	**3,580,679**	-	**7,228,087**
Time deposits	**10,575,692**	**1,407,123**	-	**11,982,815**
Cash and cash equivalents	**8,321,290**	**36,026**	-	**8,357,316**
	67,137,208	**10,861,829**	**6,378,175**	**84,377,212**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2019 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD*	*Total KD*
31 December 2019							
Investments held to maturity	-	-	1,061,550	24,577,347	3,243,476	804,831	29,687,204
Debt securities (loans)	-	-	7,866,000	5,738,047	-	-	13,604,047
Loans secured by life insurance policies	-	-	-	-	-	1,104,147	1,104,147
Policyholders' accounts receivable (gross)	1,826	54,799,453	12,445,454	3,561,207	9,445,092	58,688,657	138,941,689
Reinsurers accounts receivable (gross)	10,143	377,103	8,852,077	1,708,617	2,592,929	4,473,746	18,014,615
Reinsurance recoverable on outstanding claims	1,760,452	80,564,659	146,005,392	2,343,088	7,631,457	9,015,934	247,320,982
Other assets	-	-	-	-	-	548,257	548,257
Time Deposits	-	-	13,453,250	11,276,478	4,213,992	10,336,524	39,280,244
Cash and cash equivalents	-	574,904	33,218,089	32,161,828	17,887,409	3,819,538	87,661,768
Total credit risk exposure	1,772,421	136,316,119	222,901,812	81,366,612	45,014,355	88,791,634	576,162,953

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2019	*High grade KD*	*Standard grade KD*	*Past due or impaired KD*	*Total KD*
Investments held to maturity	804,403	-	428	804,831
Loan secured by life insurance policy	1,100,576	3,571	-	1,104,147
Policyholders' accounts receivable (gross)	46,528,301	6,234,729	5,925,627	58,688,657
Reinsurance accounts receivable (gross)	2,906,642	1,567,104	-	4,473,746
Reinsurance recoverable on outstanding claims	4,027,810	4,988,124	-	9,015,934
Other assets	-	548,257	-	548,257
Time deposits	8,908,878	1,427,646	-	10,336,524
Cash and cash equivalents	26,794,616	24,922	-	26,819,538
	91,071,226	14,794,353	5,926,055	111,791,634

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The following table represents the aging analysis of premiums and insurance balance receivable that are not past due nor impaired:

	Up to 1 month KD	***Within 1-3 months KD***	***Within 3-12 months KD***	***More than 1 year KD***	***Total KD***
31 December 2020:					
Policyholders' accounts receivable (net)	**17,114,000**	**64,194,567**	**36,200,889**	**4,773,393**	**122,282,849**
Reinsurance receivables (net)	**1,635,775**	**1,369,184**	**4,068,784**	**2,865,227**	**9,938,970**
Total	**18,749,775**	**65,563,751**	**40,269,673**	**7,638,620**	**132,221,819**

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2019:					
Policyholders' accounts receivable (net)	31,484,503	50,653,881	40,264,017	5,438,890	127,841,291
Reinsurance receivables (net)	(322,974)	2,262,615	4,837,049	8,015,905	14,792,595
Total	31,161,529	52,916,496	45,101,066	13,454,795	142,633,886

(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 of the financial liabilities of the Group based on remaining undiscounted contractual obligations for 31 December. As the Group does not have any interest bearing liabilities (except for long term loan and bank overdrafts), the figures below agree directly to the consolidated statement of financial position.

	Up to 1 month KD	***Within 1-3 months KD***	***Within 3-12 months KD***	***Within 1-5 years KD***	***Within 5-10 years KD***	***Total KD***
31 December 2020						
Premiums received in advance	**-**	**1,670,422**	**1,012,073**	**508,497**	**-**	**3,190,992**
Insurance payable	**32,138,110**	**22,413,785**	**56,238,799**	**14,502,253**	**1,907,430**	**127,200,377**
Other liabilities	**1,998,632**	**26,594,783**	**14,243,017**	**20,302,465**	**498,311**	**63,637,208**
	34,136,742	**50,678,990**	**71,493,889**	**35,313,215**	**2,405,741**	**194,028,577**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
31 December 2019						
Premiums received in advance	-	1,995,227	2,474,011	1,281,991	-	5,751,229
Insurance payable	34,819,913	14,552,201	17,356,169	56,556,051	2,435,476	125,719,810
Other liabilities	17,389,267	8,804,126	12,232,911	12,697,291	255,678	51,379,273
Long term loan	-	-	-	36,906,000	-	36,906,000
Bank overdrafts	1,254,659	13,976	453,769	12,681	-	1,735,085
	53,463,839	25,365,530	32,516,860	107,454,014	2,691,154	221,491,397

(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 commodity and equity rate price risk.

The Group has developed its policies and procedures to enhance the Group’s mitigation of market 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 principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US dollar, Bahraini dinar, Egyptian pound, Jordanian dinar, Euro, and Pound sterling.

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 contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through financial instruments as well as the Group’s Asset Liability Management model.

The table below summarises the Group’s exposure to foreign currency exchange rate risk at reporting date by categorising assets and liabilities by major currencies.

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2020: **ASSETS**	***Local currency KD equivalent***	***USD KD equivalent***	***BD KD equivalent***	***EGP KD equivalent***	***JD KD equivalent***	***Euro KD equivalent***	***GBP KD equivalent***	***Other KD equivalent***	***Total KD***
Property and equipment	**23,004,148**	**2,865,809**	**2,928,617**	**5,216,805**	**2,161,679**	**-**	**-**	**770,556**	**36,947,614**
Right-of-use assets	**778,586**	**-**	**159,138**	**62,754**	**149,678**	**-**	**-**	**125,583**	**1,275,739**
Investments in associates	**18,305,348**	**-**	**210,419**	**2,618,676**	**-**	**-**	**-**	**22,316,227**	**43,450,670**
Goodwill	**-**	**-**	**2,625,935**	**476,244**	**5,292,099**	**-**	**-**	**6,710,182**	**15,104,460**
Investments held to maturity	**999,746**	**10,333,502**	**482,733**	**21,432,588**	**5,098,035**	**-**	**-**	**-**	**38,346,604**
Debt securities (loans)	**6,500,000**	**8,823,871**	**-**	**-**	**-**	**-**	**-**	**-**	**15,323,871**
Investments available for sale	**6,340,060**	**16,125,230**	**3,226,684**	**141,972**	**2,590,414**	**-**	**-**	**20,597,888**	**49,022,248**
Investments carried at fair value through profit or loss	**1,620,702**	**7,919,173**	**-**	**16,756,550**	**1,563,369**	**-**	**-**	**4,116,474**	**31,976,268**
Loans secured by life insurance policies	**863,901**	**-**	**-**	**-**	**-**	**-**	**-**	**2,156**	**866,057**
Premium and insurance balances receivable	**77,058,049**	**25,476,885**	**8,126,052**	**4,674,415**	**12,629,898**	**1,710,817**	**55,088**	**2,490,615**	**132,221,819**
Reinsurance recoverable on outstanding claims	**125,965,414**	**115,252,187**	**13,882,935**	**6,219,115**	**4,409,375**	**5,298,210**	**51,767**	**11,337,219**	**282,416,222**
Investment properties	**4,519,845**	**1,521,808**	**1,270,273**	**836,920**	**70,279**	**-**	**-**	**38,716**	**8,257,841**
Other assets	**16,542,495**	**2,077,676**	**2,692,091**	**2,471,005**	**4,957,107**	**1,182**	**-**	**2,438,038**	**31,179,594**
Cash and cash equivalents and time deposits	**35,389,901**	**18,156,544**	**21,284,334**	**7,429,766**	**23,796,350**	**1,192,223**	**328,230**	**6,742,457**	**114,319,805**
Total assets	**317,888,195**	**208,552,685**	**56,889,211**	**68,336,810**	**62,718,283**	**8,202,432**	**435,085**	**77,686,111**	**800,708,812**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2020	***Local currency KD equivalent***	***USD KD equivalent***	***BD KD equivalent***	***EGP KD equivalent***	***JD KD equivalent***	***Euro KD equivalent***	***GBP KD equivalent***	***Other KD equivalent***	***Total KD***
LIABILITIES									
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	**275,275,197**	**18,417,308**	**26,925,736**	**9,569,946**	**15,097,055**	**5,595,965**	**160,659**	**20,177,134**	**371,219,000**
Unearned premiums reserve (net)	**18,819,568**	**3,701,116**	**9,599,049**	**5,913,618**	**7,124,204**	**-**	**-**	**10,996,051**	**56,153,606**
Life mathematical reserve (net)	**7,284,385**	**5,104,638**	**2,018,918**	**14,521,347**	**-**	**-**	**-**	**4,114,336**	**33,043,624**
Incurred but not reported reserve (net)	**-**	**933,423**	**-**	**-**	**-**	**-**	**-**	**-**	**933,423**
Total liabilities arising from insurance contracts	**301,379,150**	**28,156,485**	**38,543,703**	**30,004,911**	**22,221,259**	**5,595,965**	**160,659**	**35,287,521**	**461,349,653**
Premiums received in advance	**2,882,182**	**-**	**299,980**	**-**	**-**	**-**	**-**	**8,830**	**3,190,992**
Insurance payable	**41,338,507**	**52,357,860**	**17,803,374**	**991,455**	**12,624,150**	**849,071**	**(13,008)**	**1,248,968**	**127,200,377**
Other liabilities	**46,158,156**	**4,189,306**	**2,479,303**	**7,205,846**	**2,465,180**	**71,958**	**2,928**	**1,064,531**	**63,637,208**
Total liabilities	**391,757,995**	**84,703,651**	**59,126,360**	**38,202,212**	**37,310,589**	**6,516,994**	**150,579**	**37,609,850**	**655,378,230**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2019: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Property and equipment	20,919,981	-	3,539,082	4,308,253	2,240,129	-	-	4,207,638	35,215,083
Right-of-use assets	1,187,615	-	274,803	134,136	208,231	-	-	408,610	2,213,395
Investments in associates	19,656,211	-	166,220	2,226,936	-	-	-	21,387,923	43,437,290
Goodwill	15,104,460	-	-	-	-	-	-	-	15,104,460
Investments held to maturity	498,328	2,114,379	1,767,262	18,737,993	428	-	-	6,568,814	29,687,204
Debt securities (loans)	5,100,000	8,504,047	-	-	-	-	-	-	13,604,047
Investments available for sale	6,193,618	10,916,856	3,718,856	148,238	2,418,378	-	-	21,555,099	44,951,045
Investments carried at fair value through profit or loss	1,929,845	8,111,625	-	11,140,595	1,423,330	-	-	3,724,324	26,329,719
Loans secured by life insurance policies	1,100,576	-	-	-	-	-	-	3,571	1,104,147
Premium and insurance balances receivable	78,586,376	27,461,025	10,490,980	5,235,769	11,926,771	2,129,424	49,635	6,753,906	142,633,886
Reinsurance recoverable on outstanding claims	115,571,771	96,435,291	10,933,479	4,154,083	5,793,132	4,465,580	48,424	9,919,222	247,320,982
Investment properties	3,753,330	606,600	-	418,871	70,071	-	-	1,317,207	6,166,079
Other assets	11,473,787	1,021,792	2,682,405	3,903,941	4,732,669	10,639	-	4,631,862	28,457,095
Cash and cash equivalents and time deposits	58,817,290	13,645,168	15,402,424	3,728,989	24,743,715	786,258	680,676	9,137,492	126,942,012
Total assets	339,893,188	168,816,783	48,975,511	54,137,804	53,556,854	7,391,901	778,735	89,615,668	763,166,444

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(4) Market risk (continued)

(i) Currency risk (continued)

31 December 2019 LIABILITIES	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	233,725,037	11,553,873	22,173,754	7,320,793	14,805,408	4,848,444	93,821	25,414,086	319,935,216
Unearned premiums reserve (net)	20,615,301	-	9,927,131	5,728,632	7,869,870	-	-	15,367,567	59,508,501
Life mathematical reserve (net)	1,871,116	9,729,773	1,745,341	8,514,737	-	-	-	4,509,533	26,370,500
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	936,940	2,586,940
Total liabilities arising from insurance contracts	257,861,454	21,283,646	33,846,226	21,564,162	22,675,278	4,848,444	93,821	46,228,126	408,401,157
Premiums received in advance	5,420,733	-	320,452	-	-	-	-	10,044	5,751,229
Insurance payable	36,947,987	63,273,613	6,364,042	2,348,650	12,654,692	1,112,995	(15,321)	3,033,152	125,719,810
Other liabilities	34,638,755	1,245,906	3,633,772	6,306,641	1,193,763	8,990	-	4,351,446	51,379,273
Long Term Loans	35,333,500	-	-	-	-	-	-	-	35,333,500
Bank overdrafts	1,666,500	-	-	-	-	-	-	68,585	1,735,085
Total liabilities	371,868,929	85,803,165	44,164,492	30,219,453	36,523,733	5,970,429	78,500	53,691,353	628,320,054

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

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 monetary assets and liabilities).

		2020		*2019*	
	Change in variables	***Impact on profit KD***	***Impact on equity KD***	*Impact on profit KD*	*Impact on equity KD*
USD	**±5%**	**5,386,190**	**806,262**	3,604,838	545,843
BD	**±5%**	**(273,192)**	**161,334**	46,838	194,254
EGP	**±5%**	**1,499,631**	**7,099**	1,077,159	118,759
JD	**±5%**	**1,140,864**	**129,521**	730,737	120,919

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate 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 non-linear.

	2020		*2019*	
Currency	***Change in variables***	***Impact on profit before tax KD***	*Change in variables*	*Impact on profit before tax KD*
KD	**±50 bps**	**135,925**	±50 bps	123,821
USD	**±50 bps**	**143,629**	±50 bps	181,333
BD	**±50 bps**	**59,707**	±50 bps	58,711
Others	**±50 bps**	**282,954**	±50 bps	275,863

The method used for deriving sensitivity information and significant variables did not change from the previous year.

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) or available for sale investments.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management and the Investment Strategy and Policy.

The equity price risk sensitivity is determined on the following assumptions:

	2020	*2019*
	%	*%*
Kuwait market	**2%**	16%
Rest of GCC market	**(5%)**	12%
MENA	**(8%)**	(2%)
Other international markets	**14%**	15%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2020 and 2019. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		***Equity***	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Investment available for sale	**-**	-	**662,530**	1,044,648
Investment carried at fair value through profit or loss	**(289,627)**	(45,253)	**-**	-

The table below presents the geographical concentration of financial instruments exposed to equity price risk:

31 December 2020	***GCC***	***MENA***	***Europe***	***Total***
	KD	***KD***	***KD***	***KD***
Investments available for sale	**5,866,797**	**2,873,919**	**6,264,100**	**15,004,816**
Investments carried at fair value through profit or loss	**275,827**	**3,886,619**	**-**	**4,162,446**
	6,142,624	**6,760,538**	**6,264,100**	**19,167,262**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2019	*GCC* *KD*	*MENA* *KD*	*Europe* *KD*	*Total* *KD*
Investments available for sale	8,430,354	2,972,629	30,917	11,433,900
Investments carried at fair value through profit or loss	358,717	4,485,751	-	4,844,468
	8,789,071	7,458,380	30,917	16,278,368

26 RELATED PARTY TRANSACTIONS

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

Transactions with related parties included in the consolidated statement of income are as follows:

	2020		*2019*	
	Premiums KD	***Claims KD***	*Premiums KD*	*Claims KD*
Directors and key management personnel	**209,545**	**22,792**	296,896	13,100
Other related parties	**4,516,787**	**1,286,728**	3,381,297	1,254,900
	4,726,332	**1,309,520**	3,678,193	1,268,000

Balances with related parties included in the consolidated statement of financial position are as follows:

	2020		*2019*	
	Amounts owed by related parties KD	***Amounts owed to related parties KD***	*Amounts owed by related Parties KD*	*Amounts owed to related parties KD*
Directors and key management personnel	**56,562**	**2,868**	330,964	150
Other related parties	**1,514,696**	**542,609**	1,042,903	1,108,589
	1,571,258	**545,477**	1,373,867	1,108,739

In addition to the above balances, the Group has also engaged with related parties in its investment activities as follows:

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 6,550,178 (2019: KD 29,194,150). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 4,821,000 (2019: KD 4,816,500).

26 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2020	*2019*
	KD	*KD*
Salaries and other short term benefits	**247,578**	584,892
Employees' end of service benefits	**600,392**	154,301
	847,970	739,193

27 SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

Entity	*Country of incorporation*	*% ownership 2020*			*% ownership 2019*			*Nature of operation*
		Direct	***In-direct***	***Total %***	*Direct*	*In-direct*	*Total %*	
Gulf Insurance and Reinsurance Company K.S.C. (Closed)	Kuwait	**99.80%**	**-**	**99.80%**	99.80%	-	99.80%	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	Lebanon	92.51%	0.18%	**92.69%**	92.51%	0.18%	92.69%	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	Egypt	99.00%	**-**	**99.00%**	99.00%	-	99.00%	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	Syria	38.96%	15.39%	**54.35%**	38.96%	15.39%	54.35%	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C.	Bahrain	56.12%	**-**	**56.12%**	56.12%	-	56.12%	General risk insurance
Arab Orient Insurance Company J.S.C.	Jordan	90.44%	**-**	**90.44%**	90.44%	-	90.44%	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	Egypt	10.56%	50.75%	**61.31%**	10.56%	50.75%	61.31%	Life Takaful insurance
Dar Al-Salam Insurance Company	Iraq	79.87%	**-**	**79.87%**	79.87%	-	79.87%	General risk & life insurance
L'Algerienne Des Assurance (2a)	Algeria	49.00%	2.00%	**51.00%**	49.00%	2.00%	51.00%	General risk insurance
Gulf Sigorta A.S.	Turkey	99.22%	**-**	**99.22%**	99.22%	-	99.22%	General risk insurance

27 SUBSIDIARIES COMPANIES (continued)

Material partly owned subsidiary:
The Group has concluded that Bahrain Kuwaiti Insurance Company B.S.C. ("BKIC") and L'Algerienne Des Assurance (2a) ("2A") are the only subsidiaries with non-controlling interests that are material to the consolidated financial statements. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2020	*2019*
	KD	*KD*
Bahrain Kuwaiti Insurance Company B.S.C.	**16,275,089**	15,444,507

	2020	*2019*
	KD	*KD*
L'Algerienne Des Assurance (2a)	**3,202,357**	3,975,140

Profit allocated to material non-controlling interests:

	2020	*2019*
	KD	*KD*
Bahrain Kuwaiti Insurance Company B.S.C.	**1,462,066**	1,056,098
L'Algerienne Des Assurance (2a)	**(151,293)**	474,349

Summarised financial information of these subsidiaries is provided below. This information is based on amounts before eliminating intra Group transactions and consolidation related adjustments.

	2020		*2019*	
	BKIC	***2A***	*BKIC*	*2A*
	KD	***KD***	*KD*	*KD*
Statement of income				
Income	**31,136,494**	**8,644,636**	30,675,493	7,882,444
Expenses	**25,497,677**	**8,187,753**	28,268,706	6,914,384
Profit for the year	**5,638,817**	**456,883**	2,406,787	968,060
Total comprehensive income	**5,638,817**	**456,883**	2,122,727	968,060
Statement of financial position				
Total assets	**163,072,927**	**21,826,376**	167,192,326	23,358,232
Total liabilities	**(128,444,710)**	**(15,290,954)**	(134,437,964)	(15,245,701)
Total equity	**34,628,217**	**6,535,422**	32,754,362	8,112,531

28 TAKAFUL INSURANCE - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations. Since such assets and liabilities together with the results of policyholders' lines of business are contractually related to specific policyholders, the related amounts are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed below.

Takaful business in the Group consists of the Takaful Insurance Unit established by the Parent Company and the Takaful fund of its subsidiary Egypt Life Takaful Insurance Company (S.A.E).

Policyholders' result by line of business:

The following tables summarise the consolidated policyholders' results by line of business and fund:

For the year ended 31 December 2020:

	Marine and aviation KD	***Property KD***	***Motor KD***	***Engineering KD***	***General accidents KD***	***Life and medical KD***	***Total KD***
Premium written	**407,623**	**2,706,626**	**7,265,962**	**1,108,224**	**2,323,252**	**24,611,210**	**38,422,897**
(Deficit) surplus from insurance operations	**(3,904)**	**154,905**	**210,239**	**34,657**	**71,380**	**818,021**	**1,285,298**

For the year ended 31 December 2019:

	Marine and aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General accidents KD*	*Life and medical KD*	*Total KD*
Premium written	421,653	2,336,917	7,026,574	897,253	1,880,464	20,289,889	32,852,750
Surplus from insurance operations	85,664	692,324	14,868	48,336	43,562	574,796	1,459,550

	2020 KD	*2019 KD*
Amounts due to policyholders (Note 19)	**2,663,233**	991,535

29 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets carried at fair value.

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2020:

			Fair value measurement using		
	Date of valuation	**Total** *KD*	**Quoted prices in active markets (Level 1)** *KD*	**Significant observable inputs (Level 2)** *KD*	**Significant unobservable inputs (Level 3)** *KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2020	**15,004,816**	15,004,816	-	-
Unquoted equity securities	31 December 2020	**5,974,572**	-	18,944	5,955,628
Quoted managed funds	31 December 2020	**206,524**	206,524	-	-
Quoted bonds	31 December 2020	**27,464,847**	27,464,847	-	-
Unquoted managed funds	31 December 2020	**371,489**	-	351,144	20,345
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2020	**4,162,446**	4,162,446	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2020	**27,813,822**	27,813,822	-	-
Property and equipment					
Land	31 December 2020	**16,117,322**	-	16,117,322	-
Buildings	31 December 2020	**17,860,541**	-	17,860,541	-
Investment properties	31 December 2020	**8,257,841**	-	8,257,841	-
		123,234,220	**74,652,455**	**42,605,792**	**5,975,973**

29 FAIR VALUE MEASUREMENT (continued)

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2019:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		KD	*KD*	*KD*	*KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2019	11,433,900	11,433,900	-	-
Unquoted equity securities	31 December 2019	5,893,209	240,990	20,192	5,632,027
Quoted managed funds	31 December 2019	221,438	221,438	-	-
Quoted bonds	31 December 2019	26,725,541	26,725,541	-	-
Unquoted managed funds	31 December 2019	676,957	-	654,514	22,443
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2019	4,844,468	4,844,468	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2019	21,485,251	21,485,251	-	-
Property and equipment					
Land	31 December 2019	15,913,719	-	15,913,719	-
Buildings	31 December 2019	16,199,334	-	16,199,334	-
Investment properties	31 December 2019	6,166,079	-	6,166,079	-
		109,559,896	64,951,588	38,953,838	5,654,470

29 FAIR VALUE MEASUREMENT (continued)

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

	At 1 January 2020 KD	***Transfer from Level 3 to Level 2 KD***	***Loss recorded in the consolidated statement of income KD***	***Gain recorded in the consolidated statement of comprehensive income KD***	***Net purchases and disposals KD***	***At 31 December 2020 KD***
Investments available for sale:						
Unquoted equity securities	**5,632,027**	**-**	**(808,500)**	**(175,199)**	**1,307,300**	**5,955,628**
Unquoted managed funds	**22,443**	**-**	**-**	**(2,098)**	**-**	**20,345**
	5,654,470	**-**	**(808,500)**	**(177,297)**	**1,307,300**	**5,975,973**

	At 1 January 2019 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2019 KD*
Investments available for sale:						
Unquoted equity securities	5,770,801	-	-	-	(138,774)	5,632,027
Unquoted managed funds	55,650	-	(14,836)	-	(18,371)	22,443
	5,826,451	-	(14,836)	-	(157,145)	5,654,470

Description of significant unobservable inputs to valuation of financial assets:
Unquoted securities represent delisted securities on stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted managed funds are valued based on net assets value method using latest available financial statements of the funds, wherein the underlying assets are fair valued.

30 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains strong capital base and 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, issues new shares or purchase/sale of treasury shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019. The Group monitors its capital at the Group level and at each of its subsidiaries.

The Group monitors capital using a gearing ratio "Financial Leverage Ratio", which is net debt divided by total capital plus net debt. The Group includes within net debt, credit facilities granted from banks (such as loans and bank overdrafts) and debt securities issued (if exist). Capital represents equity attributable to the equity holders of the Parent Company.

The Group's gearing ratio as at 31 December was as follows:

	2020	*2019*
	KD	*KD*
Credit facilities:		
Bank overdrafts and long-term loans	**-**	37,068,585
Net debt	**-**	37,068,585
Equity attributable to the equity holders of the Parent Company	**117,402,404**	108,802,359
Total capital and net debt	**117,402,404**	145,870,944
Gearing ratio	**0%**	25.4%

Liabilities arising from insurance contracts are usually checked against designated funds to policyholders as per the regulators of each country of the Group's operations, and is monitored on periodic basis through an adequate Asset Liability Model developed at Parent Company level as well as subsidiaries level.

Insurance and reinsurance payables are also monitored against insurance and reinsurance receivables.

All the above ratios are monitored on periodic basis and any breach (if exists) is directly reported to the key management for their information and immediate actions.

31 COVID-19 IMPACT

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

Recoverability of receivables
The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.

Based on the management, the Group has not identified a material impact to the recoverability of receivables for the year ended 31 December 2020.

Fair value measurement of financial instruments
COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets.

The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on the management, the Group has not identified a material impact to the fair values of financial assets and liabilities for the year ended 31 December 2020 except for what is disclosed in the consolidated financial statements under financial assets available for sale.

Fair value measurement of investment properties
As the real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

Based on the management, this is in early stages and there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Group has not identified any significant impact to the fair values of investment properties for the year ended 31 December 2020. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Outstanding claims
The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the year ended 31 December 2020. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

31.1 Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, the consolidated financial statements has been appropriately prepared on a going concern basis.