AL AHLEIA INSURANCE CO. S.A.K.P.

2019

ANNUAL REPORT

Established in Kuwait on 12th June 1962
By virtue of Amiri Decree No. 37

Authorized and Paid Up Capital KD. 20,000,000
Commercial Register No. 9389
Insurance License No. 3

Registered in accordance with the Insurance
Companies and Agents Law No. 24 for 1961

H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT

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

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BOARD OF DIRECTORE

Mr. Ayman Abdullatif Ali Al-Shayea
CHAIRMAN

Mr. Emad Mohammed Abdul Rahman Al-Bahar
VICE CHAIRMAN

Mr. Abdullah Mohammed Abdullah Al-Saad
DIRECTOR

Mr. Abdul Aziz Abdul Razzaq Al-Jassar
DIRECTOR

Mr. Emad Jassem Hamad Al-Sager
DIRECTOR

Mr. Ahmad Yousef Ibrahim Al-Ghanem
DIRECTOR

Mr. Adel Mohammed Ahmed Al-Ghanam
DIRECTOR

Mr. Abdul Mouhsen Jassem Mohammed Al-Kharafi
DIRECTOR

Mr. Yousef Saad Al-Saad
DIRECTOR

EXECUTIVE MANAGEMENT

Mr. Yousef Saad Al-Saad
CHIEF EXECUTIVE OFFICER

Mr. Mohammed A. Al-Saad
VICE CHIEF EXECUTIVE OFFICER

Mr. Jamal Y. Al-Houlli
ASSISTANT CEO - MOTOR DEPT.

Mr. Jawad R. Saleh
ASSISTANT CEO - LIFE & MEDICAL DEPT.

Mr. Ghazi A. Al-Roumi
ASSISTANT CEO - PRODUCTION & BRANCHES DEPT.

Mr. Mohammed A. Samour
ASSISTANT CEO - MARINE & AVIATION DEPT.

Dr. Fayeq H. Tawdros
ACTUARY

HEAD OFFICE & BRANCHES

HEAD OFFICE
Ahmad Al-Jaber Street, Al-Sharq, Kuwait
P.O.Box 1602 Safat, Postal Code 13017
Cable: Al-Ahleia

Tel.: (965) 1888444
Fax: (965) 22430308 - 22411330
E-mail: aic@alahleia.com
www.alahleia.com

SHUWAIKH BRANCH
Banks Street, Shuwaikh
Tel./Fax: 24832183

SABHAN BRANCH
Near Banks Group, Sabhan
Tel./Fax : 24748239

HAWALLI BRANCH
Tunis street, Al-Rehab Complex, Hawalli
Tel./Fax: 22642157

AL-SOOR BRANCH
Al-Soor Street, Mounzer Tower, Al-Salheiah
Tel./Fax: 22440350

TECHNICAL TESTING BRANCH
Kuwait Motoring Co.
Tel./Fax: 24834400

FAHAHEEL BRANCH
Al-Daboos Street, Naif Al-Daboos Complex
Tel./Fax: 23910393

SALMIYA BRANCH
Salem Al-Mubarak Street, Salmiya
Tel.: 25733380 - Fax: 25747042

AL-JEWAN BRANCH
Al-Jewan Area, Ministry of Defence Co-op.
Tel./Fax: 24992481

CITIZEN SERVICES BRANCH
Sabhan
Tel.: 24710989 - Fax: 24710897

SUBSIDIARY COMPANIES

Kuwait Reinsurance Co. K.S.C.P.
P.O.Box 21929, Al Safat 13080, Kuwait
Tel.: (965) 22432011/2 - Fax: (965) 22427823
E-mail: kuwaitre@ kuwaitre.com
www.kuwaitre.com

Trade Union Holding Co. B.S.C. (Closed)
P.O.Box 2211, Manama, Bahrain
Tel.: (973) 17506555
Fax: (973) 17100013

SISTER COMPANIES

Trade Union Cooperative Insurance Co.
P.O. Box 1022, Al Khobar 31952, KSA
Tel.: (966) 8164555
Fax: (966) 8580056
E-mail: info@tui-sa.com
www.tuci-sa.com

Arab Life & Accident Insurance Co. P.S.C.
P.O.Box 925250, Amman 11190, Jordan
Tel.: (9626) 5693180/7
Fax: (9626) 5693188
E-mail: ala@wanadoo.jo
www.arab-insurance.com.jo

Iraq International Insurance Co. S.A.
Iraq - Baghdad, Al Karada Al Sharkya,
Babil Neighborhood,
District No. 925
Tel.: (9647) 904277242
E-mail: aliraqintins@yahoo.com

Al-Watania Insurance Co. Y.S.C. (Closed)
Head Office - Sana'a, Yemen
P.O.Box 15497
Tel.: (9671) 272713/874
Fax: (9671) 272924
www.alwataniains.com

Burgan Insurance Company S.A.L.
(Formerly Arab Life Insurance Company S.A.L.)
E-mail: burgan@burgan-ins.com
www.burgan-ins.com

Beirut Branch
P.O.Box 11-7338 Riyad Al-Suluh,
Beirut 11072240, Lebanon
Tel.: (9611) 751851
Fax: (9611) 742569

Bhamdoon Branch
Tel.: (9615) 260300
Fax: (9615) 260311

Al-Brajna Tower Branch
Tel.: (9611) 451365

Tripoli Branch
P.O.Box: 206, Lebanon
Tel.: (9616) 627641
Fax: (9616) 441251

Saydah Branch
P.O.Box 969, Lebanon
Tel.: (9617) 728453
Fax: (9617) 728454

BANKERS

IN KUWAIT

National Bank of Kuwait S.A.K.P.
Commercial Bank of Kuwait S.A.K.P.
Gulf Bank K.S.C.P.
Al Ahli Bank of Kuwait S.A.K.P.
Ahli United Bank S.A.K.P.
Burgan Bank S.A.K.P.
Kuwait Finance House K.S.C.P.
Bank of Bahrain and Kuwait S.A.B.
Warba Bank K.S.C.P.
Boubyan Bank K.S.C.P.

ABROAD

National Bank of Kuwait, Cairo
Ahli United Bank (UK) PLC, London
Arab African International Bank, Cairo
Bank Audi, Beirut
Al Ahli Bank of Kuwait, Egypt

AGENDA

FOR THE FIFTY SIXTH MEETING OF THE ANNUAL ORDINARY GENERAL ASSEMBLY

1. Listening to the Board of Directors' Report for the financial year ending 31 December 2019 and approving the same.
2. Listening to the Corporate Governance report and Auditing Committee report for the financial year ending 31 December 2019.
3. Listening to the Auditors' Report for the financial year ending 31 December 2019 and approving the same.
4. Discussing the Financial Statements for the financial year ending 31 December 2019 and approving the same.
5. Listening to the report of any sanctions or infractions found by the controlling authorities for the financial year ending 31 December 2019 (if any).
6. Authorizing the Board of Directors to deal with Related Parties during the financial year ending 31 December 2020 and Approving the transactions for the financial year ending 31 December 2019.
7. Approving discounting the sum of KD 1,000,000 from the profit of the financial year ending 31 December 2019 and to be added to the Special voluntary reserve.
8. Approving the recommendation of the Board of Directors to distribute dividends for the financial year ending 31 December 2019, according to the following timetable:

AGENDA

FOR THE FIFTY SIXTH MEETING OF THE ANNUAL ORDINARY GENERAL ASSEMBLY

a- Cash dividend: at 25% (twenty five percent) of the paid-up capital (i.e. twenty five fils per share), for the shareholders registered in the company's shareholders records, after the deduction of treasury shares, provided that the maturity date shall be ten days after the date of the General Assembly meeting, and the distribution date shall be five working days from the date of maturity.

b- Free bonus shares: at 5% (five percent) of the authorized, issued and paid up capital, by issuing 10,000,000 new shares (i.e. five shares for each one hundred shares) to be distributed as free bonus shares to the shareholders registered in the company's shareholders records, each in proportion to what they own, provided that the maturity date shall be after ten days from the date of the General Assembly meeting, and the distribution date shall be five working days after the maturity date, and to cover the increase of issued and paid up capital amounting to KD 1,000,000 (Kuwaiti dinars one million) from the profit and loss account, and to authorize the Chairman to sell the fraction according to what he deems appropriate.

c- Authorizing the Board of Directors to amend the above timetable, to fulfil with the General Assembly's decision, to distribute the cash dividend and free bonus shares, in case the publication's procedures are not completed within eight days before the maturity.

9. Discussing the proposal of the Board of Directors for distributing KD 180,680 a remuneration to the Members of the Board of Directors for the financial year ending 31 December 2019.
10. Discussing the authorization to the Board of Directors to purchase or sell shares of the Company at a percentage not exceeding 10% of the total number of the Company's shares, according to the articles of Law No. 7 for the year 2010 and its implementing regulations and amendments.
11. Discussing the approval of apportioning an amount up to 1% (one percent) amounting to KD 102,435 of the profit of the financial year ending 31 December 2019 for Social Responsibility for the financial year ending 31 December 2020.
12. Discussing the release of the members of the Board of Directors and release them from their legal, financial and administrative actions for the financial year ended 31 December 2019.
13. Appointing of Auditors from the list of auditors approved by Capital Markets Authority (CMA), taking into consideration the compulsory replacement term of auditors for the financial year ending 31 December 2020, and authorizing the Board of Directors to determine their remuneration.
14. Approving the suspension of the voluntary reserve.
15. Election of the Directors for the Board for the next three years.

AGENDA

FOR THE EXTRAORDINARY GENERAL ASSEMBLY MEETING

1. **Approval of capital rise** from KD 20,000,000 to KD 21,000,000 by means of distributing free bonus shares to the shareholders registered in the company's shareholders' records, provided that the maturity date to be after ten days of the General Assembly meeting date, and the distribution date to be after five working days from the maturity date.

2. **Approving the amendment of Articles (6) of the memorandum of association and (7) of the company's articles of association as follows:**

Original Text

The Company's Capital is KD 20,000,000, distributed over 200,000,000 shares, the value of each share is one hundred fils.

Proposed Adjustment

The Company's Capital is KD 21,000,000 distributed on 210,000,000 shares, the value of each share is one hundred fils.

3. **Approving the amendment of article (8) of the company's article of association:**

Original Text

The Company's shares are nominal, and it is not allowed for Non-Kuwaitis to own them.

Proposed Adjustment

The Company's shares are nominal, and it is allowed for Kuwaitis and Non-Kuwaitis to own them.

4. **Approving the amendment of article (25) of the company's article of association:**

Original Text

The Company is managed by a Board of Directors consisting of eight members elected by the General Assembly, provided that four of them are founders, and the membership term of the first board is three years from the day of their election and at the end of this period the whole board is renewed, and then half of the members are renewed every two years, and the first half comes out by way of polling, then the members are renewed with seniority.

Proposed Adjustment

The Company is managed by a Board of Directors consisting of nine members elected by the General Assembly, and the Board's membership term is three years, renewable.

AGENDA

FOR THE EXTRAORDINARY GENERAL ASSEMBLY MEETING

5. **Approving the amendment of article (31) of the company's article of association:**

Original Text

The Board of Directors meets at least once a month at the invitation of its Chairman, provided that the number of meetings is not less than 6 times for one year, while the emergency board meeting takes place based on a written request submitted by two members.

All members of the board must be provided with the board's agenda, clearly identifying the topics for discussion, and it must include adequate information on these topics and attach the supporting documents to that, provided that this is at least two working days before the date set for the meeting of the board, unless the meeting is not an emergency, in order to enable members to study the issues raised and prepare a decision on them.

Proposed Adjustment

The Board of Directors meets at the invitation of its Chairman, provided that the number of meetings is not less than 6 times for one year, and the emergency board meeting takes place based on a written request submitted by two members.

All members of the board must be provided with the board's agenda, clearly identifying the topics for discussion, and it must include adequate information on these issues and attach the supporting documents to that, provided that it is at least three working days before the date of the board meeting, unless the meeting is not an emergency, in order to enable members to study the issues raised and prepare a decision on them.

6. **Approving the amendment of article (87) of the company's article of association:**

Original Text

The provisions of the companies Law No. 25 of 2012 and its executive regulations are applied in all that is not specifically stipulated in the memorandum of association and the company's articles of association.

Proposed Adjustment

The provisions of the companies Law, its executive regulations, and its amendments which they are in force in the State of Kuwait, applied in all that is not specifically stipulated in the memorandum of association and the company's articles of association.

REPORT OF THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

"Al Ahleia Insurance Company continued its strong performance during the year 2019"

Submitted to the Shareholders during the 56th meeting of the Ordinary General Assembly at the Company's Head Office on Monday 27/4/2020 at 1:00 p.m.

Dear Shareholders,
On behalf of my fellow Members of the Board of Directors, it is my pleasure to present to you the 56th Annual Report of Al-Ahleia Insurance Company and its subsidiaries.

Al Ahleia Insurance Company succeeded in maintaining its position during the year 2019 and the company is still on the path of success year after year, enjoying strong performance and growth in the size of its insurance operations and the diversity of its portfolio and emphasizing its leadership position at the local and regional level and the strong financial solvency of the company enables it to support its customers in all insurance transactions.

Al Ahleia Insurance Company continued its strong performance during the year 2019, realizing a net profit of KD 10,243,507 after amortizing unrealized losses in the profits and losses account of KD 3,693,492 compared to profits of KD 9,492,820 in 2018, with a growth rate of 8%.

REPORT OF THE BOARD OF DIRECTORS

Al Ahleia continued its growth due to its strategy that aims to continuously maximize returns for shareholders and provide distinguish insurance services to customers and achieve growth and lasting improvement in profitability based on its financial solvency, and its credit rating.

Also, the Company management believes that corporate governance has become an essential means to improve performance to the highest degree that the board's charter and governance policies are constantly reviewed, developed and strengthened, in addition to conducting a periodic evaluation of the effectiveness of the performance of the board of directors, Board members who have accumulated skills and experiences provide the necessary support to the executive team led by the Company's Chief Executive Officer.

Success of the company is reflected in profitability ratios achieved based on the capital and the quality of assets which amount 313 million Kuwaiti Dinar (2018 – 281 million Kuwaiti Dinar) and strategy which reflect the effectiveness of risk management and corporate governance standards applied by the Company that protect it always from deterioration some economic markets inflicted many companies and shows that in all other financial indicators for Al-Ahleia average return on assets 3.7% and return on equity 10%.

Moreover, the Board of Directors guarantees integrity and reliability of the financial reports prepared thereby and submitted to shareholders. In the mainstream, the Executive Management ensured to the Audit Committee and the Board of Directors; integrity and reliability of the financial reports prepared thereby.

Referring to the position of Al-Ahleia Insurance Company and its leading regional prestige and international trust therein, Al-Ahleia Insurance Company managed to maintain its high credit ratings, as approved unanimously by the three world-class credit agencies, namely Standard & Poor's (A-), Moody's (A3) and AM Best (A-).

This is in line with the improvement of Kuwait's position in the world ranking related to the ease of doing business, but there is still a need to improve the business environment and enhance global competitiveness.

In doing so, the company relied on diversification of revenues and extending its wide network insurance coverage regionally, as well as offering new insurance products. This has resulted in achieving recorded results and continued to strengthen the company's provision in order to reinforce its position both locally and regionally.

To present to you our brief report on the Company's activities during the year 2019, touching on the events that affected the insurance market in general and the performance of our Company in particular.

"Assets amounting to 313 million Kuwaiti Dinar"

In 2019, as in other sectors, the global insurance market was affected by the geopolitical and economic conditions in the region and some major losses, in addition to the faltering and withdrawal of many insurance and reinsurance companies from certain markets, which led to further tightening in the global market.

After years of prices' decline and rising of coverage limits, the market has taken a reverse curve and reinsurance companies have tightened their prices and renewal of their agreements.

Nevertheless, Al Ahleia managed to renew its agreements on competitive terms and advantages due to its positive results over the years and its continuation with a conservative underwriting policy.

The policy of regional expansion also helped to enhance and improve the insurance portfolio through continuous efforts to increase individual insurances in addition to obtaining huge commercial and industrial insurances, of which shares can be exchanged with sister and co-insurance companies. Consequently, this would lead to the increasing of retentions. As for the local market, although the market is still suffering from the absence of a supervisory authority responsible for overseeing and monitoring insurance activity, some positive signs have emerged. At the end of 2019, the new insurance law was approved, and the decree forming the members of the insurance unit was issued recently, which will surely have a positive impact on the insurance market in Kuwait, as the new law has accompanied global and regional shifts in the insurance business, taking into account the specificity of the Kuwaiti insurance market, and the most prominent points which have been included in the new insurance law are as follows:

- Confirming the financial solvency of insurance companies, with a must to have strong financial reserves, and obligating companies to make a periodic report to be reviewed.
- The law establishes a legal framework for regulating consulting and supportive professions such as actuaries.
- Determine the minimum required capital.

In addition, the increase in the share of Al Ahleia Insurance Co. in Trade Union Insurance Co. in Bahrain during 2018, resulting in a variety of sources of income. Al Ahleia Insurance also began to reap the rewards of its acquisition of Kuwait Reinsurance Company, its results improved, and its revenues diversified due to the implementation of a comprehensive marketing and risk management strategy. In addition to sister companies in Jordan, Lebanon, Saudi Arabia, Yemen and Iraq, and their statements are not in place. Top Management of Al-Ahleia is still working on a feasibility study of other Arab markets in preparation for increasing its expansion to achieve this general strategic objective.

The Company's management adopts the policy of training young national calibers, relying on them, providing job opportunities and sending them in training courses, whether inside or outside Kuwait. The Company also adopts a strategy to develop information technology and use more advanced computer software.

The Company is currently studying and analyzing work on implementing applications and starting to create the work environment so that all technical and support departments are fully prepared to

REPORT OF THE BOARD OF DIRECTORS

implement the new international financial reporting standard No. 17 "Insurance Contracts" which will be effective on 1 January 2022.

In addition to the Company's efforts in expanding through new fields of traditional insurance and its concern with strengthening the management of branches and the marketing department, the development of inward reinsurance falls within its strategies and goals.

The figures below show that your Company has continued to reinforce capital and technical reserves to guarantee the success of its ambitions and achieve the other different objectives without being subject to any fluctuations in the future results and to fortify the foundations for growth and development.

Year 2019 ended with the following results:
FIRST: INSURANCE ACTIVITY
The gross annual production amounted to KD 98 million against KD 84 million in 2018 i.e. an increase at the rate of 16.5%. The net technical return on insurance premiums totaled KD 5.3 million (KD 6.5 million in 2018).

Here in after is a detailed summary of these aggregates:

General Accident (Non-Life business):
Gross written premiums amounted to KD 80,127,776 against KD 67,371,357 in 2018, i.e. an increase of KD 12,756,419 at the rate of 19%. The profit of these departments totaled KD 5,442,809 against KD 5,942,263 in 2018.

The Marine & Aviation business produced a net profit of KD 1,447,525 against KD 1,740,389 in 2018, the General Accident (including Motor) ended with a net profit of KD 1,374,362 as against net profit of KD 1,957,066 in 2018, and the Fire made a net profit of KD 968,252 against KD 975,225 in 2018. Kuwait Reinsurance Company has achieved a net profit of insurance activity amounting to KD 1,652,670 for the year 2019 against KD 1,269,583 in 2018.

> " During 2019, the GWP reached KD 97,866,097 while we have yielded a net profit of KD 10,243,507 "

Life & Medical Insurances:
Total premium income amounted to KD 17,738,321 against KD 16,610,843 in 2018 i.e. an increase of KD 1,127,478 at the rate of 6.8%, Achieving a net loss amounted to KD 111,530 against profit of KD 541,330 in 2018, after reassessment of the Mathematical Reserve by the Company's Actuary to reach KD 7,601,000.

The Company's investment in life and medical insurance made profits of KD 402,197 against KD 233,124 in 2018.

SECOND: OVERSEAS BUSINESS RUN-OFF
The overseas long-tail business follow-up committee, which is chaired by the Chief Executive Officer, continued their work and applied the principle of obsolescence as well as cut off business with some companies, which led to a decrease the

outstanding claims, and the o/s balances, bearing in mind that no amounts were paid in 2019, as the committee tightened the terms of payment and applied the principle of obsolescence and cut-off to eliminate these tails.

THIRD: INVESTMENT ACTIVITY

The Middle East region is experiencing geopolitical challenges, reflecting the possibility of economic growth in the region, but Kuwait, due to its flexibility, has managed to withstand the winds of surrounding fluctuations and it is known that the price of oil parity in the budget of the State of Kuwait gives it some protection in the face of future fluctuations, which is supported by credit ratings of the State of Kuwait, which it maintained year after year of the world ranking agencies.

In addition to this, the continuous of the economic reform procedures, the continuous pumping of government projects, the high performance of the Kuwait Stock Exchange after the upgrade and the decline of interest rates to support further growth in the long term.

It is expected that the Kuwaiti economy will grow at a rate of 1.8% in year 2020, and regarding the performance of Al-Ahleia Insurance Co., it is witnessing a continuous improvement in sustainable development and is keen to coordinate its performance in the field of sustainable development with the Kuwait plan 2035.

REPORT OF THE BOARD OF DIRECTORS

The investment of the Company in 2019 made a profit of KD 10,522,214 before amortization of KD 3,693,492 in the profit and loss account as unrealized losses (Impairment) of the Company's investments, against profit of KD 6,829,601 in 2018 in addition to recording KD 8,244,101 as unrealized profits in equity.

FOURTH: PROFIT & LOSS ACCOUNT

The result of the Company's operations from both insurance and investments activities, after deducting the reserves, provisions and various items usually charged to the profit and loss account, indicates that the activities for the year have yielded a net profit of KD 10,243,507 against profit of KD 9,492,820 in 2018.

By adding profit brought forward from the previous year of KD 16,300,610 the gross profit allowable for distribution amounts to KD 26,544,117 compared to KD 24,179,885 for the year 2018.

The Board of Directors of your Company recommends deducting the amount of KD 1,000,000 of this year profit and add it to the Special Voluntary Reserve, KD 96,279 for Kuwait Foundation for the Advancement of Sciences representing the 1% earmarked year's profit as legally determined, an amount of KD 274,981 to support the National Workforce and an amount of KD 110,051 to Zakat. The Board of Directors also recommends the distribution of the sum of KD 5,000,000 to the Shareholders of the Company of the Paid-up Capital at the rate of 25%, i.e. twenty five fils per share, and to distribute free bonus shares as 5% of the paid-up capital i.e. 10,000,000 shares, i.e. 5 shares per 100 shares, provided that such distribution takes place within fifteen working days of the General Assembly meeting date, and to authorize the Chairman to sell the fraction.

The Board of Directors also suggests allocating KD 180,680 as Directors remuneration for the fiscal year ending 31 December 2019 and to carry forward the remaining net profit of KD 3,243,507 to the next year.

On the basis of all the foregoing, the Special Voluntary Reserve shall become as KD 15,000,000 and the profits carried forward to the next year KD 19,544,117 beside the additional technical reserves in the various insurance branches reaching KD 16,379,405.

FIFTH: BOARD OF DIRECTORS' AUTHORIZATION TO PURCHASE OR SELL THE COMPANY'S SHARES

The Board of Directors recommends authorizing itself to purchase or sell shares of the Company at a percentage not exceeding 10% of the total number of the Company's shares, according to the articles of Law No. 7 for the year 2010 and its implementing regulations and amendments.

SIXTH: GRATITUDE AND APPRECIATION

In concluding our report, we extend our appreciation and gratitude to H.H. the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, as the ruler of Kuwait for his leadership and noble prudence and H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown prince, and appeal to Almighty God to support them in continuing their efforts for the advancement and prosperity of the State of Kuwait, reinforcing the Kuwaiti economy, supporting national companies and providing comprehensive patronage for the citizens of their country and to their nation for a more constructive and prosperous future, and we pray the Almighty God to bless them with strength and good health.

" Our appreciation for the Company's valuable Shareholders, Management, Administrative and Employees "

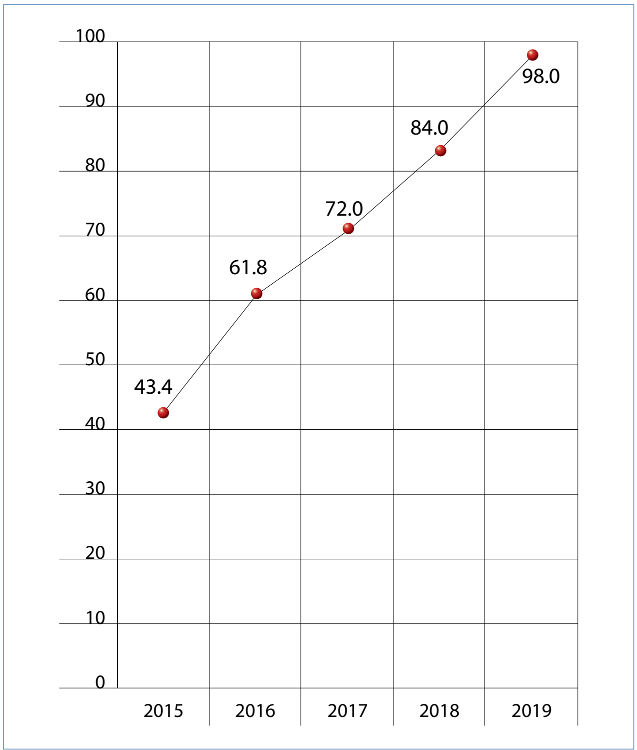
We would like also to express our thanks to the Ministry of Commerce and Industry, represented by the Administration of Insurance Companies, for their attention and understanding of the local market circumstances. Our thanks is also extended to the Ministry of Interior represented by the Traffic Department for their continuous efforts to control the roads and develop the compulsory motor insurance.

As well, we extend a special gratitude to the Company's valuable Shareholders and clients for their continuous trust and support. Our appreciation and gratitude also goes to our Reinsurer's for their support and prompt reaction to our legitimate needs.

On this occasion, the Board of Directors would like to place on record their appreciation for the great efforts and full devotion of the Company's management on all administrative and technical levels, as well as the employees, which leads towards Company progress and prosperity in a unique family environment and team work so as to offer the best.
We conclude this annual report by appealing to God Almighty to provide us the blessing of security and stability.

May His peace, mercy and blessings be with you always.

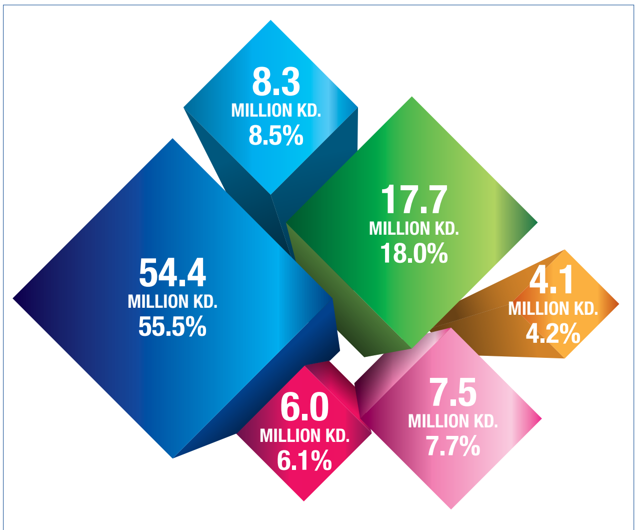
Ayman Abdullatif Al-Shayea
Chairman



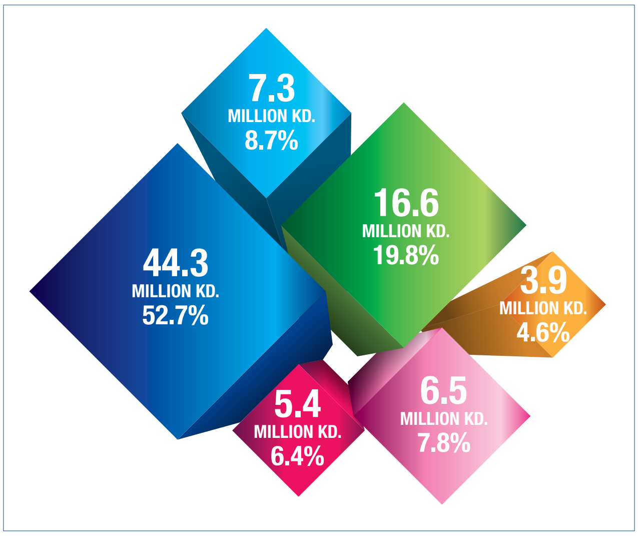
Insurance Activity
(in million KD)

Gross Written Premiums
(in million KD)

Life & Medical
G.A (Incl. Motor)
Fire
Marine & Aviation
Reinsurance

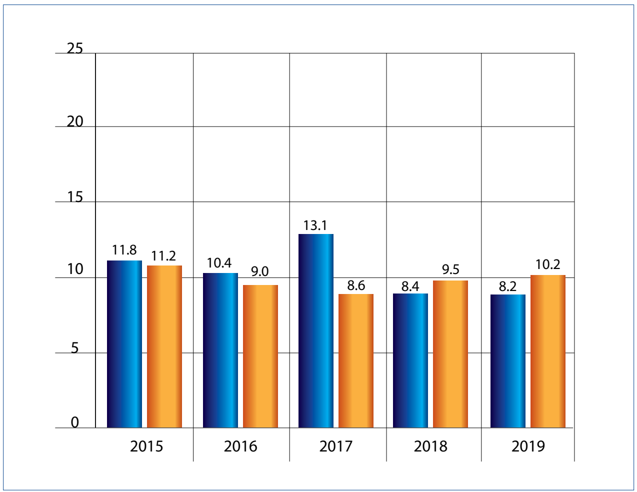


Source of Written Premiums 2019



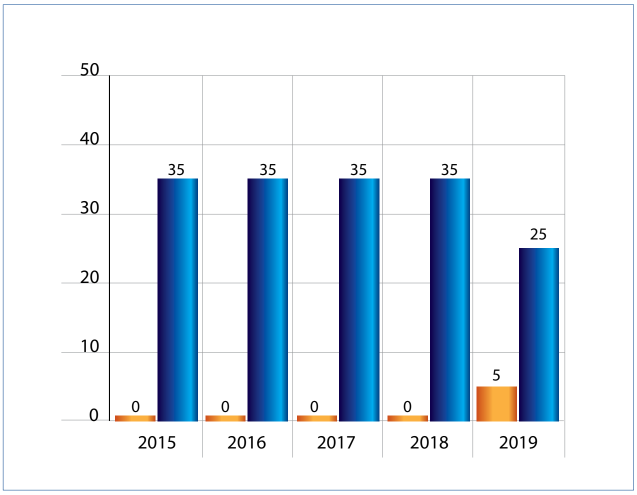
Source of Written Premiums 2018

Marine & Aviation
Fire
Gen. Accident
Motors
Life & Medical
Reinsurance



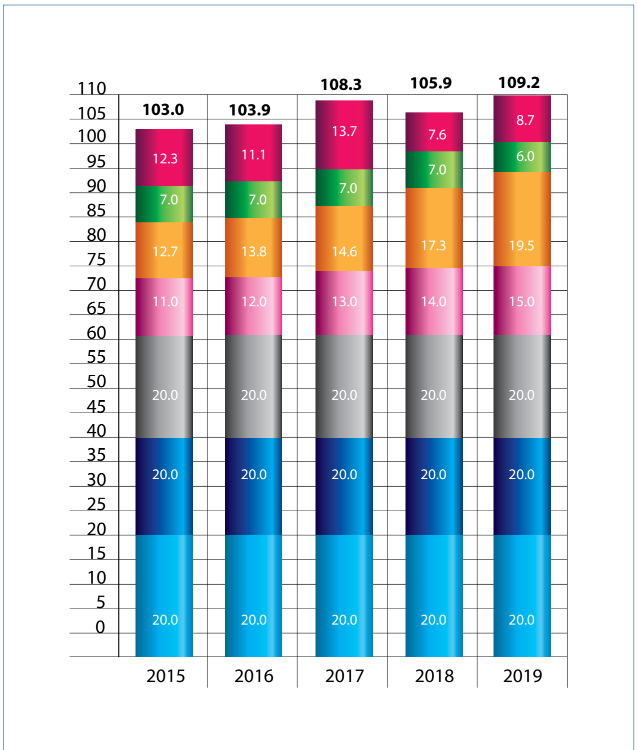
Growth of Recognized Net Profit & Unrecognized Profit
in Shareholders' Equity (in million KD)

Unrecognized Profit in Shareholders' Equity
Recognized Net Profit



Cash Dividends & Bonus Share

Cash Dividends (Fils)
Bonus Shares (%)



Shareholders Equity
(in million KD)

The Fair Value & Treasury Profit
Proposed Dividend
Retained Earnings
Voluntary Reserve
General Reserve
Statutory Reserve
Capital

Technical Reserves
(Unearned Premiums, Additional, Mathematical &
Outstanding Claims Reserves) (in million KD)

Life & Medical
G.A (Incl. Motor)
Fire
Marine & Aviation
Reinsurance

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Introduction

The Board of Directors, Executive Management and all employees of the company are committed to implement an effective Corporate Governance policy also, Al Ahleia Insurance Company S.A.K.P is enhancing its integrity to maintain its ethical and professional charter in all its activities, which is reflected in the company's performance to meet all challenges and to keep pace with the local and global market. The company is also keen on applying the principles of corporate governance effectively by all employees in addition to monitoring the highest levels of internal control systems to maintain local and international organizational and compliance standards in order to achieve one of the strategic goals of the company.

The Board is responsible for overseeing the implementation of the company's strategic goals and risk strategy, corporate governance standards and reviewing all relevant policies under any applicable laws or regulations, to ensure continuous review of the implementation of all effective practices. Here comes the primary role of both the board of directors and the executive management side by side as leaders of the company. The corporate governance rules provide a structure with clear policies and guidelines for the Board, management and related parties to ensure that the company's goals are achieved.

Rule (1): Construct a Balanced Board Composition

- **Composition of the Board of Directors**

Al Ahleia Insurance Company S.A.K.P Board of Directors consists of nine members including one executive member, six non-executive members, and two independent members who were elected by the Annual General Assembly Meeting that took place on 11 April 2017.
The details of the Board members as of 31 December 2019 are given below:

Name	Title	Member Classification	Academic Qualification	Election Date
Ayman Abdul Latif Al-Shaya	Chairman	Non-Executive	Bachelor of Mechanical Engineering	11/4/2017
Emad Mohammad Al-Bahar	Vice Chairman	Non-Executive	Bachelor of Business Management	11/4/2017
Abdullah Mohammad Al-Saad	Board Member	Non-Executive	Bachelor of Commerce	11/4/2017
Abdul Aziz Abdul Razzaq Al-Jassar	Board Member	Independent	Bachelor of Accounting	11/4/2017
Emad Jassim Al-Sager	Board Member	Non-Executive	Bachelor of Economics and Political Science	11/4/2017
Ahmad Yousef Al-Ghanim	Board Member	Independent	Bachelor of Information Technology	11/4/2017
Adel Mohammad Al-Ghannam	Board Member	Non-Executive	Bachelor of Business Management	11/4/2017
Abdul Mohsen Jassim Al-Kharafi	Board Member	Non-Executive	Bachelor of Business Management	11/4/2017
Yousef Saad Al-Saad	Board Member and Chief Executive Officer	Executive	Bachelor of Finance	11/4/2017
Mohammad Abdul Mohsen Al-Saad	Board Secretary	Executive	Bachelor of Business Management	11/4/2017

- **Board Meetings during 2019**

Name	Meeting (1) 17/2/2019	Meeting (2) 27/2/2019	Meeting (3) 13/5/2019	Meeting (4) 06/8/2019	Meeting (5) 04/11/2019	Meeting (6) 24/12/2019	Number of Meetings
Ayman Abdul Latif Al-Shaya (Chairman)	✓	✓	✓	✓	✓	✓	6
Emad Mohammad Al-Bahar (Vice Chairman)	✓	✓	✓	✓	✓	✓	6
Abdullah Mohammad Al-Saad (Member)	✓	✓	✓	✓	✓	✓	6
Abdul Aziz Abdul Razzaq Al-Jassar (Independent Member)	✓	✓	✓	✓	✓	✓	6
Emad Jassim Al-Sager (Member)	✓	✓	✓	✓	✓	✓	6
Ahmad Yousef Al-Ghanim (Independent Member)	✓	✓	✓	✓	✓	✓	6
Adel Mohammad Al-Ghannam (Member)	✓	✓	✓	✓	✓	✓	6
Abdul Mohsen Jassim Al-Kharafi (Member)	✓	✓	✓	✓	✓	✓	6
Yousef Saad Al-Saad (Member)	✓	✓	✓	✓	✓	✓	6

- **Registration, coordination, and keeping the minutes of meetings of the Board of Directors**

The Board Secretary assists the Board of Directors in all matters related to the governance of the Board, which includes ensuring proper delivery and distribution of sufficient information to Board members that will be discussed at least three working days before the meeting to enable them to take appropriate decisions. The Board Secretary coordinates the Board of Directors meetings by preparing the agendas and minutes of meetings and he prepares a summary of all discussions that took place in serial record which allows the Board members to have full and immediate access to relevant information in a timely manner.

Rule (2): Establish Appropriate Roles and Responsibilities

- **Responsibilities and duties of the Board of Directors and Executive Management**

The company has clearly defined the tasks and responsibilities of the board of directors and members of the executive management by approving the work pacts of the board of directors, the executive management, and the list of regulations and authorities.

The board of directors sets all the strategies of the company, its vision, mission and goals, and all members of the board have the necessary competencies and appropriate expertise to achieve the company's goals and oversee the integrity of their application. In addition to the responsibility to supervise the CEO and executive management to achieve shareholders 'goals and enhance transparency in communication and disclosure of financial and non-financial information, including strengthening the role of internal control at the company by activating the role of the Internal Audit Department and Risk Management and Compliance Department.

The company's board of directors continually seek out to achieve shareholders goals and the strategic goals of the company by ensuring that the executive management carries out the tasks entrusted to it to the fullest extent, and that they're working to enhance the competitiveness of the company, achieve high growth rates, and work on what contributes to maximizing profits. The decisions of the Board of Directors are based mainly on financial and non-financial data and reports submitted by the executive management.

The responsibilities of the Board of Directors include the following:

1. The Board of Directors is responsible for setting the framework for corporate governance and oversight over the effectiveness of its application in a manner that aims to protect shareholders 'rights and raise the company's value.
2. Review and approve the company's business plans, the company's important policies and the risk levels included in these plans, in coordination with the risk committee.
3. Ensure that the company maintains adequate levels of capital and reserves, in accordance with the pioneering practices and applicable regulatory laws.
4. Approval of internal regulations and regulations related to the company's work and its development, and the subsequent determination of tasks, specialties, duties and responsibilities between various organizational levels.
5. Provide information to shareholders in a timely manner, so that they can make appropriate decisions based on sufficient information during the General Assembly Meeting.
6. Ensure the effectiveness and adequacy of the company's internal control systems and subsidiaries.

The responsibilities of the Executive Management include the following:

1. Work on implementing all the company's internal policies and procedures and internal controls that are approved by the Board of Directors.
2. Preparing periodic reports (financial and non-financial) regarding the progress made in the company's activity considering the company's strategic plans and goals and submitting these reports to the Board of Directors.
3. Managing the daily work and running the activity, as well as managing the company's resources in an optimal way, and working to maximize profits and reduce expenses, in line with the goals and strategy of the company.

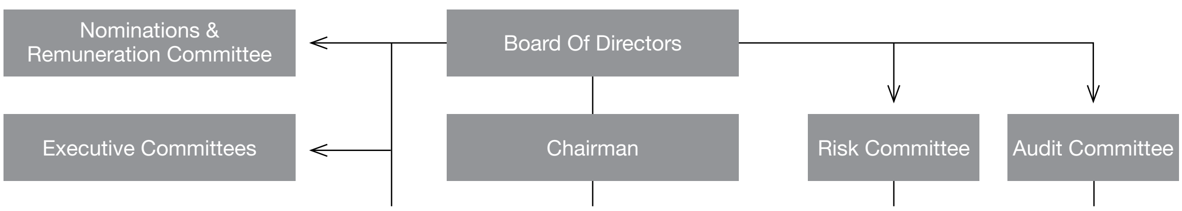
- **Achievements of the Board of Directors during the year**

The Board of Directors major achievements including but not limited to:

1. Approving the estimated budgets and the annual interim financial statement.
2. Reviewing the Company's goals and strategies that are followed in the company.
3. Reviewing and approving the Company's important Business Plans and its main policies.
4. Overlook the Company's implementation of an effective Corporate Governance.
5. Preparing the annual corporate governance report, which explains its compliance with each rule.

- **The formation of independent specialized committees by the Board of Directors**

The specialized committees were formed after the election of the members of the Board of Directors in the general assembly for the current session in order to help them to perform the tasks assigned to them and to be able to perform their duties effectively. The formed committees are the Audit Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Executive Committee.



1. Risk Management Committee

The Risk Management Committee comprises of three non-executive directors of whom one is an independent Director; the independent Director chairs the committee. The committee was formed on April 11, 2017 and its duration is consistent with the Board of Directors' term (Three Years). The Risk Management Committee is responsible for all aspects of Risk Management including strategic risks, market risks, operational risks, and compliance risks. The committee held four meetings during the year.

The committee's achievements for the year:

1. Review the Company's risk appetite.
2. Review the risk management policy and strategy.
3. Evaluate the mechanism that is used to identify, measure, and monitor different types of risks which may be exposed to the company.

Members:

- Mr. Abdul Aziz Abdul Razzaq Al-Jassar – Chairman
- Mr. Emad Mohammed Al-Bahar
- Mr. Emad Jassim Al-Sager

Member	Meeting (1) 17/2/2019	Meeting (2) 13/5/2019	Meeting (3) 6/8/2019	Meeting (4) 4/11/2019	Number of Meetings
Abdul Aziz Abdul Razzaq Al-Jassar	✓	✓	✓	✓	4
Emad Mohammad Al-Bahar	✓	✓	✓	✓	4
Emad Jassim Al-Sager	✓	✓	✓	✓	4

2. Audit Committee

The Audit Committee comprises of three non-executive directors of whom one is an independent Director; the independent Director chairs the committee. The committee was formed on April 11, 2017 and its duration is consistent with the Board of Directors' term (Three Years). The committee held four meetings during the year. The Committee is responsible for assisting the Board in supervising the quality of the Company's accounting practices, auditing, internal controls, financial statements, and internal control framework. It also maintains the relationship with the external auditors.

The committee's achievements for the year:

1. Review interim financials before prior to their submitting them to the Board of Directors and provide an opinion and recommendation thereon to the Board of Directors, in order to ensure fairness and transparency of financial statements.
2. Review and approve the Internal Audit plan.
3. Review and discuss the quality performance report of the Internal Audit Department.

Members:

- Mr. Ahmad Yousef Al-Ghanim – Chairman
- Mr. Emad Mohammad Al-Bahar
- Mr. Emad Jassim Al-Sager

Member	Meeting (1) 17/2/2019	Meeting (2) 13/5/2019	Meeting (3) 6/8/2019	Meeting (4) 4/11/2019	Number of Meetings
Abdul Aziz Abdul Razzaq Al-Jassar	✓	✓	✓	✓	4
Emad Mohammad Al-Bahar	✓	✓	✓	✓	4
Emad Jassim Al-Sager	✓	✓	✓	✓	4

3. Nomination and Remunerations Committee

The Nomination and Remunerations committee comprises of four Directors of whom one is an independent Director, a non-executive Director chairs the Committee. The committee was formed on April 11, 2017 and its duration is consistent with the Board of Directors' term (Three Years). The committee held one meeting during the year and it's responsible for submitting recommendations to the Board for appointing members of the Board and Executive Management, as well as, reviewing the nomination and remuneration policy and procedure manual at least once a year or by the recommendation of the board to assess its adequacy and effectiveness and to submit proposals to amend or update the policy to the Board of Directors in order to ensure the achievement of the stated goals. The committee facilitates the annual self-assessment of the Board performance and supervising their training and development process. It is also responsible for assessing the remunerations of the Board and Executive management as per the Company's long-term strategic objectives.

The committee's achievements for the year:

1. Review the remuneration policy for the Board of Directors and Executive Management.
2. Prepare an annual report on the remunerations that are given to the Board of Directors and Executive Management.
3. Ensure the independency of the independent board member.

Members:

- Mr. Abdullah Mohammad Al-Saad – Chairman
- Mr. Ahmad Yousef Al-Ghanim
- Mr. Adel Mohammad Al-Ghannam
- Mr. Abdul Mohsen Jassim Al-Kharafi

Member	Meeting (1) 17/2/2019	Number of Meetings
Abdullah Mohammad Al-Saad	✓	1
Ahmad Yousef Al-Ghanim	✓	1
Adel Mohammad Al-Ghannam	✓	1
Abdul Mohsen Jassim Al-Kharafi	✓	1

4. Executive Committee

The Executive committee comprises of three Directors. The committee was formed on April 11, 2017 and its duration is consistent with the Board of Directors' term (Three Years). The committee held three meetings during the year 2019. The roles and responsibilities of the committee includes discussing investment opportunities and study current investments to provide recommendations regarding them to the Board of Directors to enable them to take the right decisions at the appropriate time.

The committee's achievements for the year:

1. Discuss potential investment opportunities.
2. Discuss the current investment portfolio before submitting it to the Board of Directors.

Members:

- Mr. Ayman Abdul Latif Al-Shaya – Chairman
- Mr. Emad Mohammad Al-Bahar
- Mr. Yousef Saad Al-Saad

Member	Meeting (1) 14/2/2019	Meeting (2) 24/7/2019	Meeting (3) 23/12/2019	Number of Meetings
Ayman Abdul Latif Al-Shaya	✓	✓	✓	3
Emad Mohammad Al-Bahar	✓	✓	✓	3
Yousef Saad Al-Saad	✓	✓	✓	3

- **Mechanism that allows Board of Directors to obtain accurate and timely information**

The Board Secretary assists the Board of Directors in obtaining all data and information accurately and in a timely manner, therefore he maintains all important information and records placed in an orderly manner, which facilitates the members of the Board of Directors to full and immediate access to those information, as well as preparing meeting records and a summary of all the discussions that took place during each meeting, these records are dated and serialized in a special numbered register, to easily submit them to the Board of Directors as soon as possible.

Rule (3): Recruit Highly Qualified Candidates for the Members of the Board and Executive Management

- **Formation of Nominations and Remunerations Committee**

The Nomination and Remunerations Committee was formed in compliance to the regulatory requirements to assist the Board in appointing and re-nominating qualified Board and Executive Management members and facilitates the process of the annual self-assessment of the performance of the board and oversees the Board and Executive Management's training and development program. Also, it is responsible for assessing the remunerations of the Board of Directors and Executive Management as per the Company's long-term strategic objectives.
The Committee's charter was approved by the Board, which include the responsibilities and main requirements for forming the committee according to the Capital Markets Authority (CMA) executive bylaws and other related regulatory requirements.

The Company has Remuneration's policy that clarifies the different segments of remuneration for the Board of Directors and executive management, in addition to determining the role of the Board of Directors and the Nomination and Remuneration committee in adopting the remunerations' system of the Company's employees.

- **Remunerations of the Board and Executive Management Members**

Based on the recommendation proposed by the Nominations and Remunerations Committee, the Board of Directors approved remunerations for board members of KD 180,680. The remunerations are subject to the approval of the General Assembly which will be held in 2020, and the remuneration of the executive management and employees amounts to 15% of the net insurance profit for the period ending on 31 December 2019, as shown in the remuneration report appendix.

Rule (4): Safeguard the Integrity of Financial Reporting

- **Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports**

We, the Chairman and Board of Directors of Al Ahleia Insurance Company, are committed to the integrity and integrity of the financial statements prepared for the Company during the financial year ended 31/12/2019 as well as all reports related to the Company's activity. These reports were presented fairly. Which is approved by the Capital Markets Authority, based on what is stated to us by the executive management as well as the report of the external auditor in this regard.

- **Formation of the Board Audit Committee**

The Audit committee was formed as per the regulatory requirements, it comprises of three Non-Executive members from the Board of Directors of whom one is an independent director that chairs the committee. The presence of the Board audit committee is one of the main features indicating the application of good governance rules. The committee works to establish the importance of the quality of internal control within the Company by ensuring the integrity of the Company's financial reports, as well as ensuring the adequacy and effectiveness of the internal control systems applied in the Company. Committee's Charter was approved by the Board of Directors according to the corporate governance requirements.
There were no objections during the year on any recommendations between the Audit Committee and the Board of Directors decisions.

- **Verification of the independence and neutrality of the external Auditor**

The external auditor is appointed at the Ordinary General Assembly Meeting according to the Board recommendations However, the Audit Committee is responsible for recommending to the board of directors to appoint, reappoint or change the external auditor, including determining their fees and review their letters of appointment. The committee also verified the independence and impartiality of the external auditor by verifying the following requirements:

- The external auditor shall be accredited by the CMA and shall fulfill all conditions stated in the CMA requirements for regulating registration of auditors.
- The external auditor shall be independent from the Company or Board thereof and shall not perform any additional work not covered by the scope of auditing works, which may affect impartiality and independence.

Rule (5): Apply Sound Systems for Risk Management and Internal Audit

- **Formation Risk Management Department**

The Risk management and Compliance department developed the methodology used in the department structure by verifying the consistency of the company's overall business strategy and activities alongside the overall risk appetite approved by the Board of Directors. The department provides its support to the Risk Committee by achieving the company's goals and assessing the levels of risk acceptance that are appropriate to the nature and size of the company's activity. Among the tasks of the department is that it is the second line of defense of the company, identifying, measuring and monitoring the risks that the company can be exposed to by preparing detailed reports and providing an effective level of supervision in compliance with the rules of governance and regulatory requirements.

- **Formation of the Board Risk Committee**

The Board approved the regulations of the Risk Committee in accordance with the requirements of corporate governance issued within the executive regulations of the Capital Markets Authority and other related regulatory requirements. As the regulations specify the main requirements for forming the committee, in addition to the scope of authority and responsibilities of the committee. Since its formation, the Risk Committee has followed up on tasks related to managing strategic risks, market risks, operational risks and compliance risks. The committee reviews the regulations and policies periodically on all matters related to risks and supervises all the risks of the company.

- **Internal Control and Internal Audit Systems**

The Board's main responsibility is to review effectiveness of the Company's internal control system, maintains the integrity of its financials, as well as the efficiency of its data. The Executive management has developed policies and procedures for the Company's internal controls and risk management in line with the Company's corporate governance that is supervised by the internal audit committee. Therefore, specialized audit firm approved by the CMA was appointed during the year to prepare a quality assurance report for the internal audit department to confirm the effectiveness of internal control systems. The report was submitted to the audit committee and board of directors and discussed with the internal audit department to identify the strengths and weaknesses of the company's internal control systems.

- **Formation of Internal Audit Department**

One of the main components of the general framework of internal control and control systems is the company's internal audit department. Therefore, the company was keen to establish an independent internal audit department with adequate and suitably qualified resources that have an important role in providing the board and the executive management with an independent opinion and an objective and comprehensive view of the company's business and internal control systems.

Rule (6): Promote Code of Conduct and Ethical Standards

Al Ahleia Insurance Company S.A.K.P. has developed policies and procedures to promote a code of conduct and ethical standards within the Company. The following are the policies approved by the Board of Directors.

- **Code of Conduct of Board members and Executive Management**

The company has adopted a code of business conduct with other internal policies and guidelines designed to comply with laws, rules and regulations that will govern the operations of the company's business. The company is also committed to maintaining the highest standards of code of conduct and ethical standards. The Business Conduct Charter for Board Members and Executive Management reflects business practices and behavioral principles that support this commitment. This charter aims to provide necessary guidance to avoid conflict or conflict situations and to support appropriate behaviors in general. It generally aims to promote best practices related to corporate governance, in line with other guidelines and instructions related to corporate governance.

- **Conflict of Interest Policy**

The company has prepared a policy to reduce conflicts of interest, as this policy aims to ensure the application of appropriate procedures to discover and address effective conflict of interest cases effectively, and to ensure that the Board of Directors deals with existing, potential and expected conflicts of interest and that all decisions are taken in a manner that achieves interests the company. The verification was done, and the company did not respond to any cases of conflict of interest with the members of the Board of Directors and the Executive Management.

Rule (7): Ensure Timely and High-Quality Disclosure and Transparency

- **Disclosure and Transparency**

The Company has a disclosure policy in line with the instructions of the Capital Markets Authority (CMA) and other relevant regulatory bodies regarding disclosure and transparency. This policy clarifies the various disclosure channels and information that require disclosure by the Company, its Board of Directors, Executive Management, informed people and regulatory authorities. The Company provides accurate and Supplementary disclosures of all material information about its business, with an investigation of fairness and equality in providing access to such information.

- **Brief about the Board of Directors and Executive Management disclosures' record**

The Secretary of the Board of Directors is responsible for maintaining and updating the record of board members 'disclosures and executive management. The Board Secretary also makes sure that the disclosures of information related to the Board of Directors and the executive management are carried out in a timely manner in accordance with the instructions of the Capital Markets Authority and the laws and regulations in force, through continuous coordination with the Board of Directors and Risk and Compliance management.

- **Formation of Investors Relations Unit**

The Investor Relations Unit has been formed with the appropriate independence, the unit is concerned with regulating the company's relationship with existing shareholders and potential investors. The Investor Relations Unit policy was approved, where it clarifies the main tasks of the unit and its role in regulating the company's relationship with existing shareholders and potential investors. This unit also provides information and reports to potential shareholders and investors through the company's website and other means of disclosure.

- **Information Technology Infrastructure**

The company is keen to develop the information technology infrastructure continuously, as the latest systems and programs that help complete the disclosures are used in full, in addition to protecting information security and enabling shareholders to obtain the latest data and information through the company's website. The department has also updated the section on investor relations that contains all data and information about the company's activity and its financial position of interest to shareholders and any potential investors, especially the disclosures section, as it includes company disclosures since 2012.

Rule (8): Respect the rights of Shareholders

- **The general rights of shareholders**

The Company is always looking out for our shareholders best interests. The approved shareholders protection policy by the Board confirms the respect and protection of shareholders' rights and ensure fairness and equality amongst all shareholders. This policy was prepared as per the applicable law.

- **The creation of a special record at the Clearing Agency**

The Company maintains a register of its shareholders with Kuwait Clearing Company which includes information on each shareholder. All the shareholders are entitled to access the register according to the policies and procedures of Kuwait Clearing Company.

- **Encourage shareholders to participate and vote in the meetings**

The Company encourages investors for participating actively in the general assemblies as stated in the Shareholders' Protection Policy, by discussing the issues included in the relevant agenda and any related inquiries of various activities and businesses and addressing relevant questions to Board members and external auditor.

Rule (9): Recognize the Roles of Stakeholders

- **Protection and recognition of the rights of stakeholders**

A stakeholder protection policy has been formulated and approved by the Board of Directors with the aim of identifying the parties who have been considered as stakeholders in the company and to set guidelines on how to protect these rights, that this policy helps the company in committing to protecting the rights of all stakeholders and providing stability and job sustainability through its good financial performance.

- **Encourage stakeholders to keep track of the company's various activities**

The company encourages the stakeholders to participate in following up the company's various activities and protect their rights through the following:

- Dealing with all stakeholders fairly and ensuring that members of the Board of Directors, related parties and stakeholders are treated fairly and without any discrimination or preferential terms.
- Allowing stakeholders to access information and data related to their activities so that they can obtain that information and refer to it and rely on it in a timely, fast and regular manner.

Rule (10): Encourage and Enhance Performance

- **Training programs to Board Members and Executive Management**

The company has mechanisms that allow both members of the board of directors and executive management to obtain training programs and courses related to the company's activity and the latest developments in the administrative, insurance, economic and financial fields, corporate governance, risk management and anti-money laundry.

- **Evaluate the performance of the Board and the Executive Management**

The Board is responsible for managing the annual evaluation of the performance for the Board as a whole and for each member of the board of directors and executive management based on key performance indicators (quality and quantity), based on the evaluation criteria specified in the general evaluation framework prepared for this purpose. Each member submits his self-evaluation to the Board of Directors, and the Nomination and Remuneration Committee is responsible for managing the evaluation process of the Board, then all evaluations obtained by all committees are submitted to the Board of Directors after their completion in order to determine the outcome of the evaluation and determine the level of performance of those committees. The Chairman of the Board of Directors discusses the results of the performance evaluation with the Board and the identified strengths and weaknesses.
The Chairman of the Board in coordination with the Nomination and Remuneration Committee will determine the members 'training and development needs based on the evaluation results. Board members always strive to develop their skills and competencies through training courses and raise awareness about the main technical, financial and administrative aspects related to the company's activity and their role as a board of directors.

- **Corporate value creation with the employees at the company**

The board of directors works permanently to create institutional values for the employees of the company that help in achieving strategic goals through supervision of the executive management and to ensure that they perform all the tasks assigned to them according to the approved key performance indicators who in return supervise the rest of the employees in the company and motivate them to work continually to maintain financial integrity and reputation of the company through comprehensive internal reporting systems which has resulted in a significant improvement in performance rates.

Rule (11): Corporate Social Responsibility

- **Summary of the policy to ensure a balance between the company goals and society goals**

Al Ahleia Insurance Company's board of directors has approved the company's corporate social responsibility policy to support its main role and values within the social and economic needs, where it supports the needs of society to achieve its social benefits on the long term and to ensure that the company is continuously working on improving matters to reduce harmful effects on society and the environment. The year 2019 was a distinguished year in the company's social responsibility program. Where the company made sure this year's activities are influential and related to all kinds of social responsibility programs, some events where held under its supervision and other events were cooperated with different organizations.

- **Brief on programs helping to highlight the company's efforts in the field of social work**

The company carried several programs and activities in cooperation with LOYAC organization such as training and qualifying Kuwaiti youth before entering the labor market and participating in celebrating Mother's Day in the company as well as in different places in Kuwait.
Al Ahleia was also part of the health & environmental committee where it encourages young people to research and discuss sustaining health and environment. also, participated in International peace and volunteer day. The Human Resource department organized several events for employees and their families to develop communication between employees outside the work environment. Ramadan Ghabgah was held for employees and their families, celebrated Eid Al Fitir by hosting a breakfast at the company's headquarters and organized a family open day. Also, the company supervised and supported graduation projects for students at Kuwait University and students of the College of Business Administration. AIC was a main sponsor to Al Ruya Bilingual School's graduation program, in addition, the company printed medical bags and distributed them to hospitals and government clinics, also contributed medical devices and supplies to Al-Amiri hospital. Blood pressure, heart conditions and diabetes for AIC's employees were checked in cooperation with Kuwait Heart Association.

Furthermore, a blood donation campaign was organized. These activities are held annually to spread health awareness within the company. AIC provided financial support to several institutes that support children with down syndrome and drug control organizations, last be not least winter clothing was distributed for the destitute. AIC believes that the importance of corporate social responsibilities is to give back to society. In 2020, AIC hopes to make broader contributions to serve the community in all aspects.

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Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20st 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

AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P.

Report on the Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Recoverability of Receivables arising from Insurance and Reinsurance Contracts

The receivables arising from insurance and reinsurance contracts amounting to KD 55,236,908 representing 18% of the Group's total assets are significant to the Group's consolidated financial statements as at 31 December 2019. The determination as to whether a receivable is collectable involves significant management judgment. Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

We determined this to be a key audit matter because it requires a high level of management judgment 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 assess whether there are any indicators of impairment. This included verifying if payments had been received subsequent to the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates.

We selected a sample of the larger receivable balances where allowance 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 customer's historical payment patterns and whether any post year-end payments have been received up to the date of completing our audit procedures. We also 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.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) 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 2019, the insurance and reinsurance technical reserves are significant to the Group's total liabilities. As disclosed in Note 2.5 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities. The Group uses different models to calculate the insurance and reinsurance contract liabilities.

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 specialist, and an external independent actuary for the determination of LMR and reinsurance liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's specialist and the 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 specialists to assist us in evaluating the key inputs and assumptions.

For other insurance technical reserves, the management uses the work of their specialist to assess the liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's specialist and evaluating their work. In addition, we have performed test of controls in place, checked the design and the operating effectiveness and assessed the validity of management's liability adequacy testing to obtain reasonable assurance that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests on a sample basis included assessing the accuracy of the historical data used, and reasonableness of the projected cash flows 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.

We further evaluated the adequacy of disclosures relating to insurance and reinsurance technical reserves in Note 16 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL-AHLEIA INSURANCE COMPANY S.A.K.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

c) Valuation and Impairment of Financial Assets Available for Sale

As at 31 December 2019, the Group had financial assets available for sale amounting to KD 56,675,860 representing 18% of the Group's total assets. These financial assets are either measured at fair value with the corresponding fair value change recognised in other comprehensive income or carried at cost less impairment for those financial assets that do not have a quoted price in an active market and whose fair values cannot be reliably measured. If the financial assets available for sale witnessed objective evidence which indicates a significant or prolonged decline in value, an impairment loss is recognised in the consolidated statement of income. The valuation of the financial assets available for sale is inherently subjective - most predominantly for the level 3, since these are valued using inputs other than quoted prices in an active market. Impairment analysis can be subjective in nature and involve various assumptions regarding pricing factors.

The use of different valuation techniques and assumptions could produce significantly different estimates of the values of these financial assets available for sale and could increase the impairment losses of the Group.

Due to the significance of estimation uncertainty associated with the fair valuation and impairment analysis of the financial assets available for sale, this is considered a key audit matter.

For financial assets measured at fair value we performed audit procedures to assess the methodology and the appropriateness of the valuation models and inputs used to value such investments. As part of these audit procedures, we assessed the accuracy of key inputs used in the valuation such as quoted market prices, market multiples, and discount rates for lack of marketability and lack of control, the expected cash flows, risk free rates and credit spreads by benchmarking them with external data, investigated significant differences. We also evaluated the Group's assessment whether objective evidence of impairment exists for individual financial assets and the qualitative and quantitative factors used such as the investee's financial performance including dividends, financial condition and operations, and its market and economic environment. We assessed the adequacy of the disclosures relating to financial assets in Note 9 to the consolidated financial statements.

Other Information included in the Group's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other Information included in the Group's 2019 Annual Report (continued)

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

- 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

11 March 2020
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
Revenue:			
Gross premiums written		**97,866,097**	83,982,200
Premiums ceded to reinsurers		**(26,052,957)**	(23,626,279)
Net premiums written		**71,813,140**	60,355,921
Movement in unearned premiums		**(5,640,000)**	(2,386,581)
Net premiums earned		**66,173,140**	57,969,340
Commission income on ceded reinsurance		**6,933,215**	6,502,145
Policy issuance fees		**388,327**	464,739
Rental income from investment properties		**688,812**	624,845
Net investment income	4	**9,833,402**	6,204,756
Gain on bargain purchase arising on business combinations		**-**	3,748,963
Other income		**130,735**	168,831
Total revenue		**84,147,631**	75,683,619
Expenses:			
Net claims incurred	16	**(49,359,992)**	(39,667,524)
Commissions and premiums' acquisition costs		**(12,007,525)**	(11,511,144)
Movement in life mathematical reserve		**(429,000)**	(1,439,000)
Maturity and cancellations of life insurance policies		**(620,324)**	(399,109)
Investment property operating expenses		**(95,048)**	(101,843)
Revaluation loss on investment properties	7	**-**	(257,400)
Administrative expenses		**(6,756,561)**	(6,698,541)
Impairment loss on financial assets available for sale	9	**(3,693,492)**	(3,902,862)
Impairment loss on other receivables		**(200,000)**	(1,320,000)
Total expenses		**(73,161,942)**	(65,297,423)
Profit before share of associates income		**10,985,689**	10,386,196
Share of results of associates	8	**734,393**	555,683
PROFIT BEFORE CONTRIBUTION TO KFAS,NLST, ZAKAT AND DIRECTORS' FEES		**11,720,082**	10,941,879
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(96,279)**	(91,610)
National Labour Support Tax (NLST)		**(274,981)**	(289,658)
Zakat		**(110,051)**	(110,306)
Directors' fees	13	**(366,175)**	(513,240)
PROFIT FOR THE YEAR		**10,872,596**	9,937,065
Attributable to:			
Equity holders of the Parent Company		**10,243,507**	9,492,820
Non-controlling interests		**629,089**	444,245
		10,872,596	9,937,065
Basic and diluted earnings per share	5	**52.12 fils**	48.30 fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
Profit for the year		**10,872,596**	9,937,065
Other comprehensive income (loss)			
Items that are or may be reclassified to the consolidated statement of income in subsequent periods:			
- Foreign currency translation adjustments		**114,520**	83,621
- Net unrealised gain (loss) of financial assets available for sale		**765,745**	(3,733,054)
- Gain on sale of financial assets available for sale	4	**(4,519,517)**	(1,549,965)
- Impairment loss on financial assets available for sale	9	**3,693,492**	3,902,862
- Share of other comprehensive (loss) income of associates	8	**(32,654)**	12,166
- Cumulative change in fair value of financial assets available for sale, recycled to consolidated statement of income		**-**	(3,315,988)
- Foreign currency translation reserve of an associate transferred to consolidated statement of income		**-**	(392,356)
Net other comprehensive income (loss) for the year		**21,586**	(4,992,714)
Total comprehensive income for the year		**10,894,182**	4,944,351
Attributable to:			
Equity holders of the Parent Company		**10,190,712**	4,524,347
Non-controlling interests		**703,470**	420,004
		10,894,182	4,944,351

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	***2019 KD***	*2018 KD*
ASSETS			
Property and equipment		**3,646,471**	3,853,208
Investment properties	7	**11,821,378**	11,819,966
Investment in associates	8	**20,218,699**	19,574,492
Financial assets held to maturity		**20,323,406**	19,399,600
Loans secured by life insurance policyholders		**108,307**	174,707
Financial assets available for sale	9	**56,675,860**	63,923,359
Financial assets at fair value through profit or loss		**905,895**	1,196,227
Receivables arising from reinsurance contracts and premium accruals	11	**31,974,017**	23,121,069
Reinsurance recoverable on outstanding claims	16	**52,205,065**	42,632,079
Premiums and insurance balances receivable	10	**23,262,891**	20,558,129
Accounts receivable and other debit balances	12	**8,345,029**	7,417,085
Term deposits	6	**76,727,694**	60,918,861
Bank balances and cash	6	**7,188,198**	5,950,373
TOTAL ASSETS		**313,402,910**	280,539,155
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**20,000,000**	20,000,000
Statutory reserve	14	**20,000,000**	20,000,000
Voluntary reserve	14	**20,000,000**	20,000,000
Special voluntary reserve	14	**15,000,000**	14,000,000
Treasury shares	15	**(1,278,932)**	(1,278,932)
Treasury shares reserve		**1,474,675**	1,474,675
Fair value reserve		**8,244,101**	8,411,416
Foreign currency translation reserve		**126,842**	12,322
Retained earnings		**25,544,117**	23,179,885
Other reserve		**137,004**	121,193
Equity attributable to equity holders of the Parent Company		**109,247,807**	105,920,559
Non-controlling interests		**10,007,611**	9,402,909
Total equity		**119,255,418**	115,323,468
LIABILITIES			
Liabilities arising from insurance and reinsurance contracts:			
Outstanding claims reserve	16	**116,984,635**	96,043,133
Unearned premiums reserve	16	**25,960,929**	20,320,929
Life mathematical reserve	16	**7,601,000**	7,172,000
Incurred but not reported reserve	16	**16,379,405**	13,298,699
Total liabilities arising from insurance and reinsurance contracts		**166,925,969**	136,834,761
Bank overdraft	6	**-**	3,305,421
Insurance and reinsurance payables	17	**17,896,211**	16,073,005
Accounts payable and other credit balances	18	**9,238,168**	8,940,239
Premiums received in advance		**87,144**	62,261
Total liabilities		**194,147,492**	165,215,687
TOTAL EQUITY AND LIABILITIES		**313,402,910**	280,539,155

Ayman Abdullatif Al-Shayea
Chairman

Emad Mohammed Al-Bahar
Vice Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Special voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Other reserve KD*	*Subtotal KD*	*Non - controlling interests KD*	*Total equity KD*
At 1 January 2019	**20,000,000**	**20,000,000**	**20,000,000**	**14,000,000**	**(1,278,932)**	**1,474,675**	**8,411,416**	**12,322**	**23,179,885**	**121,193**	**105,920,559**	**9,402,909**	**115,323,468**
Profit for the year	-	-	-	-	-	-	-	-	**10,243,507**	-	**10,243,507**	**629,089**	**10,872,596**
Other comprehensive (loss) income for the year	-	-	-	-	-	-	**(167,315)**	**114,520**	-	-	**(52,795)**	**74,381**	**21,586**
Total comprehensive (loss) income for the year	-	-	-	-	-	-	**(167,315)**	**114,520**	**10,243,507**	-	**10,190,712**	**703,470**	**10,894,182**
Cash dividends (Note 13)	-	-	-	-	-	-	-	-	**(6,879,275)**	-	**(6,879,275)**	**(66,662)**	**(6,945,937)**
Transfer to reserves (Note 14)	-	-	-	**1,000,000**	-	-	-	-	**(1,000,000)**	-	-	-	-
Change of ownership percentage of subsidiaries	-	-	-	-	-	-	-	-	-	**15,811**	**15,811**	**(32,106)**	**(16,295)**
At 31 December 2019	**20,000,000**	**20,000,000**	**20,000,000**	**15,000,000**	**(1,278,932)**	**1,474,675**	**8,244,101**	**126,842**	**25,544,117**	**137,004**	**109,247,807**	**10,007,611**	**119,255,418**

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Special voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Fair values reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Other Reserve KD*	*Subtotal KD*	*Non - controlling interests KD*	*Total equity KD*
At 1 January 2018	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	1,474,675	13,071,154	321,057	21,566,341	105,028	108,259,323	3,479,960	111,739,283
Profit for the year	-	-	-	-	-	-	-	-	9,492,820	-	9,492,820	444,245	9,937,065
Other comprehensive loss for the year	-	-	-	-	-	-	(4,659,738)	(308,735)	-	-	(4,968,473)	(24,241)	(4,992,714)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(4,659,738)	(308,735)	9,492,820	-	4,524,347	420,004	4,944,351
Cash dividends (Note 13)	-	-	-	-	-	-	-	-	(6,879,276)	-	(6,879,276)	-	(6,879,276)
Transfer to reserves (Note 14)	-	-	-	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-
Change of ownership percentage of subsidiaries	-	-	-	-	-	-	-	-	-	16,165	16,165	(51,028)	(34,863)
Non-controlling interest arising from consolidating of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	5,553,973	5,553,973
At 31 December 2018	20,000,000	20,000,000	20,000,000	14,000,000	(1,278,932)	1,474,675	8,411,416	12,322	23,179,885	121,193	105,920,559	9,402,909	115,323,468

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, Zakat and directors' fees		**11,720,082**	10,941,879
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property and equipment		**282,029**	270,380
Share of results of associates	8	**(734,393)**	(555,683)
Revaluation loss on investment properties	7	**-**	257,400
Gain on sale of financial assets available for sale	4	**(4,519,517)**	(1,549,965)
Impairment loss on financial assets available for sale	9	**3,693,492**	3,902,862
Impairment loss on other receivable		**200,000**	1,320,000
Interest income on bonds and term deposits	4	**(3,569,211)**	(2,840,330)
Dividends income	4	**(1,536,102)**	(1,611,172)
Provision for employees' end of service benefits		**371,671**	462,231
(Gain) loss on sale of property and equipment		**(365)**	(260)
Income from funds	4	**(208,572)**	(203,289)
Net gain on business combination		**-**	(3,748,963)
		5,699,114	6,645,090
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		**(8,704,788)**	(5,521,247)
Reinsurance recoverable on outstanding claims		**(9,571,247)**	5,766,940
Premiums and insurance balances receivable		**(2,904,762)**	(9,484,872)
Accounts receivable and other debit balances		**(208,353)**	(18,013)
Net change in insurance and reinsurance contract liabilities		**30,041,714**	3,280,695
Insurance and reinsurance payables		**1,823,206**	6,939,999
Accounts payable and other credit balances		**(719,064)**	(527,699)
Premiums received in advance		**24,883**	11,038
Cash flows from operations		**15,480,703**	7,091,931
Employees' end of service benefits paid		**(227,256)**	(135,817)
Net cash flows from operating activities		**15,253,447**	6,956,114
INVESTING ACTIVITIES			
Purchase of property and equipment		**(76,193)**	(98,383)
Proceeds from sale of property and equipment		**365**	260
Purchase of financial assets available for sale		**(6,199,521)**	(10,116,302)
Proceeds from sale of financial assets available for sale		**14,138,269**	12,430,260
Net cash and cash equivalents outflow on acquisition of a subsidiary			(3,985,892)
Proceeds from redemption of financial assets held to maturity		**(867,511)**	266,400
Net movement in loans secured by life insurance policyholders		**66,400**	31,271
Term deposits		**(16,502,142)**	(9,044,438)
Dividends received		**1,536,102**	1,600,118
Interest income		**3,060,817**	2,682,196
Dividend income from investment in associates		**24,505**	-
Proceeds from investment in associates		**53,967**	-
Proceeds from investment at fair value through profit or loss		**289,360**	-
Net cash flows used in investing activities		**(4,475,582)**	(6,234,510)
FINANCING ACTIVITIES			
Dividends paid		**(6,920,845)**	(6,916,036)
Change of ownership percentage of subsidiaries		**(16,295)**	(34,863)
Net cash flows used in financing activities		**(6,937,140)**	(6,950,899)
Foreign currency translation adjustment		**9,212**	(8,332)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,849,937**	(6,237,627)
Cash and cash equivalents at 1 January		**3,435,050**	9,672,677
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	**7,284,987**	3,435,050

The attached notes 1 to 26 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019

1 CORPORATE INFORMATION

The consolidated financial statements of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiaries – Kuwait Reinsurance Company K.S.C.P. and Trade Union Holding CO. B.S.C (closed) , (collectively the "Group") for the year ended 31 December 2019 were authorised for issuance with a resolution of the Board of Directors on 11 March 2020. The general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The Parent Company has been engaging in various insurance and reinsurance activities, as set forth in the parent Company's Articles of Association. The Parent Company's registered head office address is at P. O. Box 1602 Safat, 13017, Kuwait.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2019. Subsidiaries are investee that the Group has control over.

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.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
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.

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

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

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

Impairment of non-financial assets
Disclosures relating to impairment of non-financial assets are summarised in the following notes:
- Disclosures for significant accounting judgements, estimates, and assumptions Note 2.5

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
Impairment losses are recognised in the consolidated statement of income.

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

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

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. The Group performs its annual impairment test of goodwill as at 31 December.

The recoverable amount for the life insurance business CGU has been determined based on a value in use calculation. This calculation is derived from embedded value (EV) principles together with the present value of expected profits from future new business. The EV represents the shareholder interests in the life insurance business and is the total of the net worth of the life insurance business and the value of the in-force business.

The recoverable amount of the non-life insurance business CGU and investment management services business CGU have been determined based on a value in use calculation. The calculation requires the Group to make an estimate of the expected future cash flows from each of the CGUs and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

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

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

All other acquisition costs are recognised as expenses when incurred. Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are amortised over the terms of the insurance contracts to which they relate as premiums are earned, when the related contracts are settled or disposed of.

Subsequent to initial recognition, this DAC asset for life insurance is amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the consolidated statement of income.

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

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

DACs are derecognised when the related contracts are either settled or disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

• Buildings on freehold land	25 years
• Leasehold properties	20 to 25 years
• Furniture, fixtures, equipment and motor vehicles	3 to 5 years

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

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

Investment properties
Investment properties are measured initially 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 are 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 the 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Financial instruments

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

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

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

The Group's financial assets include "financial assets held to maturity", "loans secured by life insurance policyholders", "financial assets available for sale", "financial assets at fair value through profit or loss", "receivables arising from reinsurance contracts and premium accruals", "reinsurance recoverable on outstanding claims", "premiums and insurance balances receivable", and "accounts receivable and other debit balances". At 31 December, the Group did not have any derivatives designated as hedging instruments.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

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

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

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

Loans, receivables and other debit balances
This category is the most relevant to the Group. Loans and other debit balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Held to maturity financial assets
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in '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.

Insurance and reinsurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Term deposits
Term deposits are deposits with an original maturity of more than three months but less than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)
Subsequent measurement (continued)

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances.

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

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

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

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of income. Interest income (recorded in net investment income in the consolidated statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the net investment income in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Impairment of financial assets (continued)

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

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

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

In the case of debt instruments classified as financial assets available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of net investment income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the consolidated statement of income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

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

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated statement of income.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date.

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

- In the principal market for the asset or liability.

Or

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

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

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

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

Assets, liabilities and equity items for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

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

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

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

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

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

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

- Disclosures for significant accounting judgements, estimates and assumptions	Note 2.5
- Investment properties	Note 7
- Financial instruments	Note 26
- Quantitative disclosures of fair value measurement hierarchy	Note 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Gains or losses on buying reinsurance are recognised in the consolidated statement of income immediately at the date of purchase and are not amortised.

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

National Labour Support Tax (NLST)

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

Zakat

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

Leases

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

Group *as a lessee*

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

Right of use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income 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 of, at which time, the cumulative amount is reclassified to consolidated statement of income.

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

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statement of income is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

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

Life insurance contract liabilities
Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the consolidated statement of income in 'Gross change in contract liabilities'. Profits originated from margins for adverse deviations on run-off contracts are recognised in the consolidated statement of income over the life of the contract, whereas losses are fully recognised in the consolidated statement of income during the first year of runoff. The liability is derecognised when the contract expires, is discharged or cancelled.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant nonlife insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the consolidated statement of income by setting up a provision for premium deficiency.

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

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Gross premiums - Premiums earned (continued)

Premium earned for the year from reinsurance operations includes adjustments to premiums written in prior accounting periods and estimates for pipeline or premium not yet advised by the cedant for contracts in force at the end of the year. Where statements of insurance contract accounts have not been received at the end of the year, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium. Premium relating to the expired risk period is taken as earned and recognised as revenue for the year while premium relating to the unexpired risk period is treated as a reserve for unexpired risks. Pipeline premium (being the premium written but not reported to the Group as at the reporting date) are reported as ‘accrued premiums arising from reinsurance contracts’.

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

Reinsurance premiums

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

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

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

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

Fees and commission income

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

Interest income

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

Dividend income

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

Rental income

Rental income arising from operating leases on investment properties are accounted for on a straight line basis over the term of the lease.

Net realised gains and losses

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Employees' end of service benefits
The Group provides end of service benefits to its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to social security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16: Leases

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

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

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

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

Summary of new accounting policies

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

- Right of use assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

IFRS 16: Leases (continued)

Summary of new accounting policies (continued)

- Lease liabilities

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

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

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(*i*) Judgement

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

Classification of investments

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimation and assumptions

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

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

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

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

Valuation of investment properties
Fair value of investment properties have been assessed by an independent real estate appraiser. The independent real estate appraiser uses values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser. Income capitalisation method was used to determine the fair value of property interests in investment properties, where the property's value is estimated based on the its income produced and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

The significant methods and assumptions used by valuers in estimating fair value of investment properties are stated in Note 7.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimation and assumptions (continued)

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

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

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

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 and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

The Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. 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. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims' development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

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

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

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

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

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

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

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 as at 31 December 2018 and 2019. The Group applied the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 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.

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)
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 2022, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

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

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

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

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

2.6 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)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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)

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.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB Standards issued but not yet effective (continued)
IFRS 17 Insurance Contracts (continued)
The Group plans to adopt the new standard on the required effective date together with IFRS 9 (see above). The Group started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

3 FUTURE LEASE RENT RECEIVABLES

The Group has entered into commercial property leases on its investment properties (Note 7). These are non-cancellable leases having remaining lease term of 2 to 5 years.

Future minimum lease rental receivables under non-cancellable operating leases as at 31 December are as follows:

	2019 ***KD***	*2018* *KD*
Within one year	**551,800**	423,862
After one year but not more than five years	**450,376**	140,954
	1,002,176	564,816

4 NET INVESTMENT INCOME

	2019 ***KD***	*2018* *KD*
Gain on sale of financial assets available for sale	**4,519,517**	1,549,965
Interest income on bonds and term deposits	**3,569,211**	2,840,330
Dividend income	**1,536,102**	1,611,172
Income from funds	**208,572**	203,289
	9,833,402	6,204,756

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	2019 ***KD***	*2018* *KD*
Profit for the year attributable to shareholders of Parent Company	**10,243,507**	9,492,820
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)*	**196,550,725**	196,550,725
Basic and diluted earnings per share	**52.12 fils**	48.30 fils

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6 CASH AND CASH EQUIVALENTS

	2019 KD	2018 KD
Term deposits	**76,727,694**	60,918,861
Bank balances and cash	**7,188,198**	5,950,373
	83,915,892	66,869,234
Less:		
Bank overdraft	**-**	(3,305,421)
Term deposits with original maturities of more than three months	**(76,630,905)**	(60,128,763)
Cash and cash equivalents	**7,284,987**	3,435,050

Term deposits amounting to KD 900,090 (31 December 2018: KD 900,086) are held as security against letters of credit amounting to KD 852,227 (2018: KD 754,099) granted by banks.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

The Group's borrowings arising from financing activities include bank overdraft of KD Nil (2018: KD 3,305,421). In the consolidated statement of cash flows, the carrying amount of bank overdrafts are included in bank balances and cash.

7 INVESTMENT PROPERTIES

	2019 KD	2018 KD
As at 1 January	**11,819,966**	12,080,381
Revaluation loss	**-**	(257,400)
Foreign currency translation adjustment	**1,412**	(3,015)
As at 31 December	**11,821,378**	11,819,966

The fair value of investment properties has been determined based on valuations obtained from two independent professional real estate valuers, who are industry specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. Both valuers have valued the investment properties using the income capitalization approach assuming full capacity of the property. For valuation purpose, the Group has selected the value made by the local bank, being the lower of these two valuations (2018: the lower of two valuations) as required by the Capital Markets Authority (CMA). The Group has entered into operating lease for its investment properties (Note 3).

The significant assumptions used in the valuations are set out below:

	2019	2018
Average rent (per sqm) – KD	**769**	698
Yield rate - %	**5.80%**	5.20%
Vacancy rate	**7.90%**	13.50%

Any changes to the significant assumptions used in the valuation above such as 5% for average rent and vacancy rate and 50 basis points for yield rate do not have material impact on the consolidated statement of income of the Group.

The fair value of the investment properties is determined using the income capitalisation approach and hence categorised under level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Ownership percentage **2019**	*2018*	*Country of incorporation*	**2019 KD**	*2018 KD*
Iraq International Insurance Company S.A (Closed)	**44.32%**	44.32%	Iraq	**491,613**	476,290
Al-Watania Insurance Company Y.S.C. (Closed)	**22.50%**	22.50%	Yemen	**126,138**	148,180
Burgan Insurance Company S.A.L. (formerly Arab Life Insurance Company S.A.L.)	**49.37%**	49.37%	Lebanon	**739,501**	716,418
Arab Life and Accident Insurance Company P.S.C.	**27.94%**	27.94%	Jordan	**509,405**	805,042
Trade Union Cooperative Insurance Company	**32.36%**	32.36%	Saudi Arabia	**18,352,042**	17,428,562
				20,218,699	19,574,492

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

	2019 KD	*2018 KD*
Carrying value at 1 January	**19,574,492**	5,433,518
Share of results of associates	**734,393**	555,683
Share of other comprehensive (loss) income	**(32,654)**	12,166
Foreign currency translation adjustment	**20,940**	13,636
Financial asset available for sale reclassified to investment in associate on business combination	-	5,183,988
Investment in associate acquired through business combination	-	11,591,397
Reclassified to investment in subsidiary on business combination	-	(3,215,896)
Proceeds from investment in associates	**(53,967)**	-
Dividends income from investment in associates	**(24,505)**	-
Carrying value at 31 December	**20,218,699**	19,574,492

The following table illustrates the summarised aggregate information of the Group associates, as all associates are individually immaterial:

Summarised consolidated statement of financial position:

	2019 KD	*2018 KD*
Assets	**143,081,173**	147,853,335
Liabilities	**(100,296,027)**	(106,857,268)
Equity	**42,785,146**	40,996,067
Carrying amount of the investment	**20,218,699**	19,574,492

Summarised consolidated statement of income:

	2019 KD	*2018 KD*
Revenues	**62,941,219**	26,331,754
Expenses	**(59,552,889)**	(24,551,286)
Profit for the year	**3,388,330**	1,780,468
Group's share of results for the year	**734,393**	555,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2019 KD	*2018 KD*
Local equity securities:		
Quoted	**23,443,381**	22,663,209
Unquoted	**3,877,839**	5,032,546
	27,321,220	27,695,755
Foreign equity securities:		
Quoted	**-**	625,055
Unquoted	**12,072,005**	14,764,309
	12,072,005	15,389,364
Managed funds:		
Quoted	**465,500**	1,101,756
Unquoted	**16,523,420**	19,395,895
	16,988,920	20,497,651
Bonds	**293,715**	340,589
	56,675,860	63,923,359

As at 31 December 2019, quoted equity securities are carried at fair value. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 1,168,476 (2018: KD 1,406,274) was recognised in the consolidated statement of income for the year ended 31 December 2019.

Unquoted equity securities amounting to KD 9,276,335 (2018: KD 11,113,702) are carried at cost less impairment since fair values cannot be reliably estimated and the investment managers have been unable to indicate any estimates of the range within which fair values might lay. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 1,289,980 (2018: KD 1,712,752) has been recorded in the consolidated statement of income for the year ended 31 December 2019.

Managed funds are carried at fair value reported by the fund manager. Certain unquoted managed funds amounting to KD 939,450 (2018: KD 986,324) are carried at cost less impairment due to the unpredictable nature of their future cash flow and the lack of other suitable methods for arriving at a reliable fair value for these financial assets. The management recorded impairment loss of KD 1,235,036 (2018: KD 618,836) against these investments based on the most recent available market information.

Bonds are carried at cost less impairment since fair values cannot be reliably estimated. The management recorded impairment loss of KD Nil (2018: KD 165,000) against these investments based on the most recent available market information.

10 PREMIUMS AND INSURANCE RECEIVABLES

	2019 KD	*2018 KD*
Policyholders' accounts receivable		
Premiums receivable	**19,166,382**	15,914,514
Allowances for impaired receivables	**(2,365,229)**	(2,214,621)
Net policyholders' accounts receivable	**16,801,153**	13,699,893
Insurance and reinsurance accounts receivable		
Reinsurance receivable	**6,574,109**	6,970,607
Allowances for impaired receivables	**(112,371)**	(112,371)
Net insurance and reinsurance accounts receivable	**6,461,738**	6,858,236
Total premiums and insurance receivables	**23,262,891**	20,558,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019

10 PREMIUMS AND INSURANCE RECEIVABLES (continued)

As at 31 December 2019, premiums as well as insurance and reinsurance receivables at nominal value of KD 2,477,600 (2018: KD 2,326,992) were impaired and fully provided for.

Movements in the allowance for impairment of premiums and insurance receivables were as follows:

	2019 KD	*2018 KD*
At the beginning of the year	**2,326,992**	1,055,979
Provision for impairment	**150,608**	1,271,013
At the end of the year	**2,477,600**	2,326,992

11 RECEIVABLES ARISING FROM REINSURANCE CONTRACTS AND PREMIUM ACCRUALS

	2019 KD	*2018 KD*
Gross receivables arising from reinsurance contracts	**13,560,535**	10,534,762
Provision for doubtful debts	**(285,950)**	(286,352)
Net receivables arising from reinsurance contracts	**13,274,585**	10,248,410
Accrued premiums arising from reinsurance contracts	**18,699,432**	12,872,659
	31,974,017	23,121,069

As at 31 December 2019, receivables arising from reinsurance contracts at nominal value of KD 285,950 (2018: KD 286,352) were impaired and fully provided for.

Movements in the allowance for receivables arising from reinsurance contracts were as follows:

	2019 KD	*2018 KD*
At the beginning of the year	**286,352**	273,615
(Reversal of) allowance for impairment	**(402)**	12,737
At the end of the year	**285,950**	286,352

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

		Past due but not impaired		
	Total KD	*1-3 months KD*	*3-12 months KD*	*More than 12 months KD*
31 December 2019	**13,274,585**	**4,412,015**	**5,327,311**	**3,535,259**
31 December 2018	10,248,410	3,202,787	4,297,365	2,748,258

12 ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2019 KD	*2018 KD*
Accrued income	**1,491,700**	1,023,588
Reserve retained by reinsurers	**144,330**	289,606
Deferred acquisition cost	**4,708,742**	4,175,805
Other debit balances	**2,000,257**	1,928,086
	8,345,029	7,417,085

13 SHARE CAPITAL AND CASH DIVIDEND

Share capital

The authorised, issued and fully paid up share capital consists of 200,000,000 shares of 100 fils each (31 December 2018: 200,000,000 shares of 100 fils).

Cash dividend and bonus shares

On 11 March 2020, the Parent Company's board of directors has proposed a distribution of cash dividend of 25% for the year ended 31 December 2019 (2018: 35%), totalling KD 5,000,000 (2018: KD 6,879,275), KD 1,000,000 as 5% bonus shares of paid up share capital (2018: KD Nil), and the Parent Company board of directors' fees of KD 180,680 (2018: KD 339,990). This proposal is subject to the approval by Annual Ordinary General Assembly Meeting of the Parent Company's shareholders. The subsidiary's board of directors has proposed directors' fees of KD 185,495 (2018: KD 173,250) and is subject to approval of the subsidiary's Annual Ordinary General Assembly Meeting. The subsidiary directors' fees of KD 173,250 for the year ended 31 December 2018 was approved by the AGM on 9 April 2019.

On 26 March 2019, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the payment of cash dividend of 35% for the year ended 31 December 2018, totalling KD 6,879,275 (2017: 35% totalling KD 6,879,276) and board of directors' fees of KD 339,990 (2017: KD 366,300).

14 RESERVES

Statutory reserve

As required by 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 before contribution to KFAS, NLST, Zakat and directors' fees shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

As the statutory reserve at the beginning of the year reached 100% of the share capital (above 50% of share capital) the Parent Company's board of directors has not proposed to transfer from retained earnings to the statutory reserve.

Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees is required to be transferred to the general 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. The Parent Company's board of directors has not proposed to transfer any amount from retained earnings to the voluntary reserve.

Special voluntary reserve

In accordance with the Parent Company's Memorandum of Incorporation and Articles of Association, the board of directors can resolve to transfer certain amount of the profit for the year to the special voluntary reserve.

On 11 March 2020, the Parent Company's board of directors has proposed to transfer an amount of KD 1,000,000 (2018: KD 1,000,000) from retained earnings to the special voluntary reserve subject to the approval of the Ordinary Annual General Assembly of the Parent Company's shareholders.

On 26 March 2019, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the transfer of an amount of KD 1,000,000 from retained earnings to the special voluntary reserve for the year ended 31 December 2018.

15 TREASURY SHARES

	2019	*2018*
Number of shares	**3,449,275**	3,449,275
Percentage of issued shares (%)	**1.72**	1.72
Market value (KD)	**1,476,290**	1,472,840

An amount of KD 1,278,932 (31 December 2018: KD 1,278,932) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from reserves and retained earnings throughout the holding period of treasury shares.

The weighted average market price of the Parent Company's shares for the year ended 31 December 2019 was 427 fils per share (31 December 2018: 410 fils per share).

16 LIABILITIES ARISING FROM INSURANCE CONTRACTS

31 December 2019	*Marine and Aviation KD*	*General Accidents KD*	*Fire KD*	*Life and Medical KD*	*Reinsurance operations KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:						
Gross balance at the beginning of the year	4,137,869	14,648,411	7,738,780	22,054,049	47,464,024	96,043,133
Reinsurance recoverable on outstanding claims at the beginning of the year	(3,394,534)	(8,222,219)	(7,199,417)	(11,210,851)	(12,605,058)	(42,632,079)
Net balance at the beginning of the year	743,335	6,426,192	539,363	10,843,198	34,858,966	53,411,054
Gross claims incurred during the year	3,612,652	20,415,569	3,729,471	16,351,250	35,429,119	79,538,061
Reinsurance recoverable	(2,602,748)	(16,491,371)	(3,492,584)	(2,734,030)	(4,857,336)	(30,178,069)
Net claims incurred	1,009,904	3,924,198	236,887	13,617,220	30,571,783	49,359,992
Gross claims paid during the year	(2,190,609)	(9,594,758)	(5,777,835)	(12,510,870)	(28,522,487)	(58,596,559)
Reinsurance recoverable	1,540,510	5,664,497	5,462,192	2,446,428	5,491,456	20,605,083
Paid during the year	(650,099)	(3,930,261)	(315,643)	(10,064,442)	(23,031,031)	(37,991,476)
NET BALANCE AT THE END OF THE YEAR	1,103,140	6,420,129	460,607	14,395,976	42,399,718	64,779,570
Presented in the consolidated statement of financial position as follows:						
Outstanding claims reserve	5,559,912	25,469,222	5,690,416	25,894,429	54,370,656	116,984,635
Reinsurance recoverable on outstanding claims	(4,456,772)	(19,049,093)	(5,229,809)	(11,498,453)	(11,970,938)	(52,205,065)
NET BALANCE AT THE END OF THE YEAR	1,103,140	6,420,129	460,607	14,395,976	42,399,718	64,779,570
Unearned premiums reserve	414,516	2,634,827	305,408	-	22,606,178	25,960,929
Life mathematical reserve	-	-	-	7,601,000	-	7,601,000
Incurred but not reported reserve	500,000	1,350,000	500,000	-	14,029,405	16,379,405

16 LIABILITIES ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2018	*Marine and Aviation KD*	*General Accidents KD*	*Fire KD*	*Life and Medical KD*	*Reinsurance operations KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:						
Gross balance at the beginning of the year	4,618,475	12,207,319	18,395,582	20,423,727	41,769,194	97,414,297
Reinsurance recoverable on outstanding claims at the beginning of the year	(3,694,306)	(5,768,232)	(17,713,094)	(11,070,257)	(10,157,931)	(48,403,820)
Net balance at the beginning of the year	924,169	6,439,087	682,488	9,353,470	31,611,263	49,010,477
Gross claims incurred during the year	2,142,147	7,187,906	3,821,677	13,668,425	33,408,220	60,228,375
Reinsurance recoverable	(1,744,315)	(3,852,800)	(3,570,573)	(2,848,181)	(8,544,982)	(20,560,851)
Net claims incurred	397,832	3,335,106	251,104	10,820,244	24,863,238	39,667,524
Gross claims paid during the year	(2,622,753)	(4,746,814)	(14,478,479)	(12,038,103)	(27,713,390)	(61,599,539)
Reinsurance recoverable	2,044,087	1,398,813	14,084,250	2,707,587	6,097,855	26,332,592
Paid during the year	(578,666)	(3,348,001)	(394,229)	(9,330,516)	(21,615,535)	(35,266,947)
NET BALANCE AT THE END OF THE YEAR	743,335	6,426,192	539,363	10,843,198	34,858,966	53,411,054
Presented in the consolidated statement of financial position as follows:						
Outstanding claims reserve	4,137,869	14,648,411	7,738,780	22,054,049	47,464,024	96,043,133
Reinsurance recoverable on outstanding claims	(3,394,534)	(8,222,219)	(7,199,417)	(11,210,851)	(12,605,058)	(42,632,079)
NET BALANCE AT THE END OF THE YEAR	743,335	6,426,192	539,363	10,843,198	34,858,966	53,411,054
Unearned premiums reserve	383,560	2,301,880	297,763	-	17,337,726	20,320,929
Life mathematical reserve	-	-	-	7,172,000	-	7,172,000
Incurred but not reported reserve	500,000	1,350,000	500,000	-	10,948,699	13,298,699

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17 INSURANCE AND REINSURANCE PAYABLES

	2019 *KD*	*2018* *KD*
Policyholders payables	**1,848,869**	2,140,797
Reinsurance payables	**14,394,889**	12,273,103
Claims payables	**1,063,467**	1,028,240
Other insurance payables	**588,986**	630,865
	17,896,211	16,073,005

18 ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2019 *KD*	*2018* *KD*
Reserve retained on reinsurance business	**1,469,700**	1,209,793
Accrued employees' bonus, leave balance and end of service benefits	**3,709,841**	3,614,853
Dividends payable	**422,554**	400,152
Accrued expenses	**433,278**	524,132
Board of directors' fees	**409,892**	513,240
Other payables	**2,792,903**	2,678,069
	9,238,168	8,940,239

19 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments: General risk insurance, Life and Medical insurance and Reinsurance. Within General risk insurance is Marine and Aviation, General Accidents and Fire.

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

The following are the details of these segments:

19 SEGMENT INFORMATION (continued)

A) Segment information – consolidated statement of income

	General risk insurance							
Year ended 31 December 2019:	*Marine and Aviation KD*	*General accidents KD*	*Fire KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Reinsurance operations KD*	*Intercompany transactions KD*	*Total KD*
Revenue:								
Gross premiums written	**8,311,338**	**11,630,834**	**5,986,593**	**25,928,765**	**17,738,321**	**56,964,935**	**(2,765,924)**	**97,866,097**
Premiums ceded to reinsurers	**(6,852,229)**	**(6,253,422)**	**(5,482,317)**	**(18,587,968)**	**(3,541,163)**	**(6,689,750)**	**2,765,924**	**(26,052,957)**
Net premiums written	**1,459,109**	**5,377,412**	**504,276**	**7,340,797**	**14,197,158**	**50,275,185**	-	**71,813,140**
Movement in unearned premiums	**(30,956)**	**(332,947)**	**(7,645)**	**(371,548)**	-	**(5,268,452)**	-	**(5,640,000)**
Net premiums earned	**1,428,153**	**5,044,465**	**496,631**	**6,969,249**	**14,197,158**	**45,006,733**		**66,173,140**
Commission income on ceded reinsurance	**2,266,049**	**1,770,981**	**1,378,172**	**5,415,202**	**1,362,595**	**461,677**	**(306,259)**	**6,933,215**
Policy issuance fees	-	**388,327**	-	**388,327**	-	-	-	**388,327**
Total revenue of insurance and reinsurance operations	**3,694,202**	**7,203,773**	**1,874,803**	**12,772,778**	**15,559,753**	**45,468,410**	**(306,259)**	**73,494,682**
Expenses:								
Net claims incurred	**(1,009,904)**	**(3,924,198)**	**(236,887)**	**(5,170,989)**	**(13,617,220)**	**(30,571,783)**	-	**(49,359,992)**
Commissions and premiums' acquisition costs	**(428,441)**	**(556,927)**	**(127,664)**	**(1,113,032)**	**(207,538)**	**(10,993,214)**	**306,259**	**(12,007,525)**
Movement in life mathematical reserve	-	-	-	-	**(429,000)**	-	-	**(429,000)**
Maturity and cancellations of life insurance policies	-	-	-	-	**(620,324)**	-	-	**(620,324)**
Operating and administrative expenses for insurance Business	**(808,332)**	**(1,348,286)**	**(542,000)**	**(2,698,618)**	**(797,201)**	**(2,250,743)**	-	**(5,746,562)**
Total expenses of insurance and reinsurance operations	**(2,246,677)**	**(5,829,411)**	**(906,551)**	**(8,982,639)**	**(15,671,283)**	**(43,815,740)**	**306,259**	**(68,163,403)**
Net underwriting results	**1,447,525**	**1,374,362**	**968,252**	**3,790,139**	**(111,530)**	**1,652,670**	-	**5,331,279**
Net investment income				**5,303,495**	**402,197**	**4,816,522**		**10,522,214**
Share of results of associates				**734,393**	-	-	-	**734,393**
Other income				**122,248**	**8,122**	**365**	-	**130,735**
Impairment loss on financial assets available for sale				**(2,693,250)**	-	**(1,000,242)**	-	**(3,693,492)**
Other administrative expenses, investment properties expenses				**(771,394)**	**(1,161)**	**(332,492)**	-	**(1,105,047)**
Impairment loss on other receivables				**(200,000)**	-	-	-	**(200,000)**
Profit before contribution to KFAS, NLST, Zakat and Directors' fees				**6,285,631**	**297,628**	**5,136,823**	-	**11,720,082**

19 SEGMENT INFORMATION (continued)

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

	General risk insurance							
Year ended 31 December 2018:	*Marine and Aviation KD*	*General accidents KD*	*Fire KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Reinsurance operations KD*	*Intercompany transactions KD*	*Total KD*
Revenue:								
Gross premiums written	7,342,527	10,429,657	5,398,939	23,171,123	16,610,843	46,557,369	(2,357,135)	83,982,200
Premiums ceded to reinsurers	(5,668,283)	(5,436,226)	(4,853,403)	(15,957,912)	(3,866,287)	(6,159,215)	2,357,135	(23,626,279)
Net premiums written	1,674,244	4,993,431	545,536	7,213,211	12,744,556	40,398,154	-	60,355,921
Movement in unearned premiums	13,285	29,710	34,444	77,439	-	(2,464,020)	-	(2,386,581)
Net premiums earned	1,687,529	5,023,141	579,980	7,290,650	12,744,556	37,934,134	-	57,969,340
Commission income on ceded reinsurance	1,606,485	1,965,353	1,366,205	4,938,043	1,362,538	408,908	(207,344)	6,502,145
Policy issuance fees	-	464,739	-	464,739	-	-	-	464,739
Total revenue of insurance and reinsurance operations	3,294,014	7,453,233	1,946,185	12,693,432	14,107,094	38,343,042	(207,344)	64,936,224
Expenses:								
Net claims incurred	(397,832)	(3,335,106)	(251,104)	(3,984,042)	(10,820,244)	(24,863,238)	-	(39,667,524)
Commissions and premiums' acquisition costs	(318,522)	(775,234)	(169,003)	(1,262,759)	(225,216)	(10,230,513)	207,344	(11,511,144)
Movement in life mathematical reserve	-	-	-	-	(1,439,000)	-	-	(1,439,000)
Maturity and cancellations of life insurance policies	-	-	-	-	(399,109)	-	-	(399,109)
Operating and administrative expenses for insurance business	(837,271)	(1,385,827)	(550,853)	(2,773,951)	(682,195)	(1,979,708)	-	(5,435,854)
Total expenses of insurance and reinsurance operations	(1,553,625)	(5,496,167)	(970,960)	(8,020,752)	(13,565,764)	(37,073,459)	207,344	(58,452,631)
Net underwriting results	1,740,389	1,957,066	975,225	4,672,680	541,330	1,269,583	-	6,483,593
Net investment income				3,843,710	233,124	2,752,767	-	6,829,601
Net gain on business combinations				3,748,963	-	-	-	3,748,963
Share of results of associates				555,683	-	-	-	555,683
Other income				162,147	6,424	260	-	168,831
Impairment loss on financial assets available for sale				(3,737,862)	-	(165,000)	-	(3,902,862)
Other administrative expenses, investment properties expenses and valuation loss				(1,518,990)	(1,097)	(101,843)	-	(1,621,930)
Impairment loss on other receivables				(1,200,000)	(120,000)	-	-	(1,320,000)
Profit before contribution to KFAS, NLST, Zakat and Directors' fees				6,526,331	659,781	3,755,767	-	10,941,879

19 Segment information (continued)

B) Segment information – Consolidated statement of financial position

	General risk insurance KD	*Life and medical insurance KD*	*Reinsurance operations KD*	*Investment KD*	*Total KD*
31 December 2019					
Assets	**55,225,160**	**14,806,102**	**148,822,257**	**94,549,391**	**313,402,910**
Liabilities	**61,586,156**	**36,532,082**	**96,013,170**	**16,084**	**194,147,492**
31 December 2018					
Assets	42,824,347	14,063,858	129,470,870	94,180,080	280,539,155
Liabilities	52,397,765	32,025,405	80,777,069	15,448	165,215,687

Takaful Insurance Department

In 2009, The Group established a new insurance unit named Takaful Insurance for life and non-life insurance which will be specialised in issuing Islamic insurance products. The impact of the related operations' results on the Group's consolidated financial statements is immaterial to be disclosed separately.

20 ARAB WAR RISKS INSURANCE SYNDICATE (AWRIS)

According to the latest advice received from AWRIS, the Group's interest in the undistributed profits of AWRIS amounted to KD 1,720,504 (USD 5,669,089) (2018: KD 1,683,826 (USD 5,540,738)).

21 RELATED PARTY TRANSACTIONS

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

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

31 December 2019	***Key management and board members KD***	***Associates KD***	***Parent Company's shareholders KD***	***Others KD***	***Total KD***
Gross premiums	**21,971**	**663,608**	**2,095,248**	**3,806**	**2,784,633**
Claims incurred	**-**	**618,709**	**447,396**	**-**	**1,066,105**

31 December 2018	*Key management and board members KD*	*Associates KD*	*Parent Company's shareholders KD*	*Others KD*	*Total KD*
Gross premiums	20,763	606,684	1,821,249	36,181	2,484,877
Claims incurred	340	238,234	632,910	-	871,484

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21 RELATED PARTY TRANSACTIONS (continued)

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

31 December 2019	***Key management and board members KD***	***Associates KD***	***Parent Company's shareholders KD***	***Others KD***	***Total KD***
Premiums and insurance balances receivable	**19,588**	**321,102**	**2,841,844**	**6,677**	**3,189,211**

31 December 2018	*Key management and board members KD*	*Associates KD*	*Parent Company's shareholders KD*	*Others KD*	*Total KD*
Premiums and insurance balances receivable	24,062	329,143	2,619,893	2,084	2,975,182

Compensation of key management personnel and board of directors members of the Group:

	2019 KD	*2018 KD*
Salaries and other short term benefits	**767,758**	738,970
Employees' end of service benefits	**166,197**	81,913
	933,955	820,883

22 CAPITAL COMMITMENTS AND CONTINGENCIES

(a) As at 31 December 2019, the Group has future capital commitments with respect to purchase of financial assets available for sale amounting to KD 5,388,332 (2018: KD 3,016,376) and has contingent liabilities in respect of letter of credit arising from the subsidiary, granted by a bank amounting to KD 742,407 (2018: KD 711,190), and letter of guarantee granted by a bank to the Parent Company amounting to KD 109,820 (2018: KD 42,909) from which it is anticipated that no material liabilities will arise.

(b) 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, The Parent Company's management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

23 STATUTORY GUARANTEES

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

(a) Investments of KD 500,000 (2018: KD 500,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
(b) Investments of KD 500,000 (2018: KD 500,000) have been deposited with a Kuwaiti bank in respect of the Parent Company's right to transact life assurance business;
(c) Other investments, in the form of deposits and bonds amounting to KD 9,844,800 (2018: KD 9,844,800) are held in Kuwait.
(d) The Parent Company's premise with net carrying amount of KD 245,949 (2018: KD 362,384) has been mortgaged with the Ministry of Commerce and Industry.

24 RISK MANAGEMENT

(a) Governance framework

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

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

(b) Regulatory framework

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

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

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as under:
  - 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% could 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 risk department is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

(c) Insurance risk

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

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

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

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

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

24 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts

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

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

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

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

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

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

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

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

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

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

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

24 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

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

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

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

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

31 December 2019 **Type of contract**	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***
Term insurance	**22,280**	**(17,884)**	**4,396**
Life and disability	**2,307,525**	**(696,873)**	**1,610,652**
Medical	**642,993**	**(125,384)**	**517,609**
Endowment individual policies	**2,068,618**	**(413,175)**	**1,655,443**
Pensions (individual policies)	**90,851**	**-**	**90,851**
Total life insurance contracts	**5,132,267**	**(1,253,316)**	**3,878,951**
Total investment contracts and participation feature	**3,681,684**	**-**	**3,681,684**
Other life insurance contracts liabilities	**40,365**	**-**	**40,365**
Life insurance contracts outstanding claims reserve	**8,854,316**	**(1,253,316)**	**7,601,000**

31 December 2018 Type of contract	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Term insurance	17,616	(11,386)	6,230
Life and disability	2,596,299	(772,485)	1,823,814
Medical	347,480	(41,698)	305,782
Endowment individual policies	1,605,855	(641,793)	964,062
Pensions (individual policies)	108,302	-	108,302
Total life insurance contracts	4,675,552	(1,467,362)	3,208,190
Total investment contracts and participation feature	3,937,235	-	3,937,235
Other life insurance contracts liabilities	26,575	-	26,575
Life insurance contracts outstanding claims reserve	8,639,362	(1,467,362)	7,172,000

Key assumptions

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

24 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

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

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

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

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

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

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

• ***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.

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

24 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

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*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*
Investment contracts:												
With fixed and guaranteed terms	**A49/52 Ult**	A49/52 Ult	**3%**	3%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Non-guaranteed terms	**A49/52 Ult**	A49/52 Ult	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Life term assurance:												
Males	**A49/52 Ult**	A49/52 Ult	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Females	**A49/52 Ult**	A49/52 Ult	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%

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24 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

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

(2) Non-life insurance contracts

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

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

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

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

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

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

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

31 December 2019	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**5,559,912**	**(4,456,772)**	**1,103,140**
Accident	**25,469,222**	**(19,049,093)**	**6,420,129**
Fire	**5,690,416**	**(5,229,809)**	**460,607**
Reinsurance operations	**54,370,656**	**(11,970,938)**	**42,399,718**
Total	**91,090,206**	**(40,706,612)**	**50,383,594**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

31 December 2018	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	4,137,869	(3,394,534)	743,335
Accident	14,648,411	(8,222,219)	6,426,192
Fire	7,738,780	(7,199,417)	539,363
Reinsurance operations	47,464,024	(12,605,058)	34,858,966
Total	73,989,084	(31,421,228)	42,567,856

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

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

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

31 December 2019	***Change in assumption %***	***Impact on gross liabilities KD'000***	***Impact on net liabilities KD'000***	***Impact on profit KD'000***
Average claim cost	**+10**	**401**	**397**	**397**
Average number of claims	**+10**	**492**	**492**	**492**
31 December 2018	*Change in assumption %*	*Impact on gross liabilities KD'000*	*Impact on net liabilities KD'000*	*Impact on profit KD'000*
Average claim cost	+10	389	358	358
Average number of claims	+10	460	460	460

(d) Financial risks

(1) Credit risk

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

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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24 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(1) Credit risk (continued)

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

	31 December 2019			
Exposure credit risk by classifying financial assets according to type of insurance	***General insurance KD***	***Life and Medical insurance KD***	***Reinsurance operations KD***	***Total KD***
Financial assets held to maturity (debt securities)	**6,673,806**	**2,000,000**	**11,649,600**	**20,323,406**
Bonds classified as financial assets available for sale	**293,715**	**-**	**-**	**293,715**
Loans secured by life insurance policyholders	**-**	**108,307**	**-**	**108,307**
Policyholders accounts receivable (gross)	**17,014,596**	**2,151,786**	**-**	**19,166,382**
Insurance and reinsurance receivables (gross)	**5,957,368**	**616,741**	**-**	**6,574,109**
Reinsurance recoverable on outstanding claims	**28,735,674**	**11,498,453**	**11,970,938**	**52,205,065**
Receivables arising from reinsurance contracts	**-**	**-**	**31,974,017**	**31,974,017**
Other debit balances	**1,781,110**	**53,015**	**166,132**	**2,000,257**
Fixed deposits	**8,435,000**	**9,829,375**	**58,463,319**	**76,727,694**
Bank balances	**1,600,846**	**297,650**	**4,507,292**	**6,405,788**
Total credit risk exposure	**70,492,115**	**26,555,327**	**118,731,298**	**215,778,740**

	31 December 2018			
Exposure credit risk by classifying financial assets according to type of insurance	*General insurance KD*	*Life and Medical insurance KD*	*Reinsurance operations KD*	*Total KD*
Financial assets held to maturity (debt securities)	5,750,000	2,000,000	11,649,600	19,399,600
Bonds classified as financial assets available for sale	340,589	-	-	340,589
Loans secured by life insurance policyholders	-	174,707	-	174,707
Policyholders accounts receivable (gross)	14,106,071	1,808,443	-	15,914,514
Insurance and reinsurance receivables (gross)	6,150,586	820,021	-	6,970,607
Reinsurance recoverable on outstanding claims	18,816,170	11,210,851	12,605,058	42,632,079
Receivables arising from reinsurance contracts	-	-	23,121,069	23,121,069
Other debit balances	1,748,892	32,298	146,896	1,928,086
Fixed deposits	8,159,300	4,211,013	48,548,548	60,918,861
Bank balances	1,452,328	34,173	3,911,186	5,397,687
Total credit risk exposure	56,523,936	20,291,506	99,982,357	176,797,799

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

24 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(1) Credit risk (continued)

Exposure credit risk by classifying financial assets according to international credit rating agencies	***A*** ***KD***	***B*** ***KD***	***Not rated*** ***KD***	***Total*** ***KD***
31 December 2019				
Financial assets held to maturity (debt securities)	**-**	**-**	**20,323,406**	**20,323,406**
Bonds classified as financial assets available for sale	**-**	**-**	**293,715**	**293,715**
Loans secured by life insurance policyholders	**-**	**-**	**108,307**	**108,307**
Policyholders accounts receivable (gross)	**-**	**-**	**19,166,382**	**19,166,382**
Insurance and reinsurance receivables (gross)	**5,285,584**	**1,288,525**	**-**	**6,574,109**
Reinsurance recoverable on outstanding claims	**43,278,000**	**8,927,065**	**-**	**52,205,065**
Receivables arising from reinsurance contracts	**-**	**-**	**31,974,017**	**31,974,017**
Other debit balances	**-**	**-**	**2,000,257**	**2,000,257**
Fixed deposits	**76,727,694**	**-**	**-**	**76,727,694**
Bank balances	**6,405,788**	**-**	**-**	**6,405,788**
Total credit risk exposure	**131,697,066**	**10,215,590**	**73,866,084**	**215,778,740**

Exposure credit risk by classifying financial assets according to international credit rating agencies	*A* *KD*	*B* *KD*	*Not rated* *KD*	*Total* *KD*
31 December 2018				
Financial assets held to maturity(debt securities)	-	-	19,399,600	19,399,600
Bonds classified as financial assets available for sale	-	-	340,589	340,589
Loans secured by life insurance policyholders	-	-	174,707	174,707
Policyholders accounts receivable (gross)	-	-	15,914,514	15,914,514
Insurance and reinsurance receivables (gross)	5,604,368	1,366,239	-	6,970,607
Reinsurance recoverable on outstanding claims	35,341,994	7,290,085	-	42,632,079
Receivables arising from reinsurance contracts	-	-	23,121,069	23,121,069
Other debit balances	-	-	1,928,088	1,928,088
Fixed deposits	60,918,861	-	-	60,918,861
Bank balances	5,397,687	-	-	5,397,687
Total credit risk exposure	107,262,910	8,656,324	60,878,567	176,797,801

(2) Liquidity risk

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

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

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

31 December 2019	***Within 1 year*** ***KD***	***More than 1 year*** ***KD***	***Total*** ***KD***
Insurance and reinsurance payables	**16,243,758**	**1,652,453**	**17,896,211**
Other credit balances	**3,636,073**	**5,602,095**	**9,238,168**
	19,879,831	**7,254,548**	**27,134,379**

24 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2018	*Within 1 year* *KD*	*More than 1 year* *KD*	*Total* *KD*
Bank overdraft	3,305,421	-	3,305,421
Insurance and reinsurance payables	14,467,275	1,605,730	16,073,005
Other credit balances	3,576,096	5,364,143	8,940,239
	21,348,792	6,969,873	28,318,665

3) Market risk

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

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

(i) Currency risk

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

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

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

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

		2019		*2018*	
	Change in Variables *%*	***Impact on profit for the year*** ***KD***	***Impact on other comprehensive income*** ***KD***	*Impact on profit for the year* *KD*	*Impact on other comprehensive income* *KD*
USD	±5	**457,392**	**1,979,243**	242,141	1,052,789
JD	±5	**12,123**	**49,652**	13,785	59,939
EGP	±5	**115**	**482**	121	525
Euro	±5	**24,161**	**112,543**	22,986	99,939
GBP	±5	**3,421**	**14,893**	3,427	14,903
Others	±5	**12,201**	**60,972**	11,594	50,411

24 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

3) Market risk (continued)

(ii) Interest rate risk

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

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

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

(iii) Equity price risk

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

The effect on other comprehensive income as a result of a change in the fair value of financial assets available for sale at 31 December due to ±5% change in the following market indices with all other variables held constant is as follows:

Market indices	***2019 KD***	*2018 KD*
Kuwait	**± 2,158,055**	± 1,211,721
Other GCC countries	**± 57,656**	± 64,557

25 CAPITAL MANAGEMENT

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

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

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

	2019 KD	*2018 KD*
Liabilities arising from insurance contracts	**166,925,969**	136,834,761
Payables	**27,221,523**	25,075,505
Bank overdraft	**-**	3,305,421
Less:		
Term deposits	**(76,727,694)**	(60,918,861)
Bank balances and cash	**(7,188,198)**	(5,950,373)
Net debt	**110,231,600**	98,346,453
Total capital	**119,255,418**	115,323,468
Total capital and net debt	**229,487,018**	213,669,921
Gearing ratio	**48%**	46%

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets held to maturity, loans secured by life insurance policyholders, financial assets available for sale, financial assets at fair value through profit or loss, receivables arising from reinsurance contracts and premium accruals, reinsurance recoverable on outstanding claims, premiums and insurance balances receivable, accounts receivables and other debit balances, fixed deposits and bank balances. Financial liabilities consist of bank overdraft, insurance and reinsurance payables and accounts payable and other credit balances.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost amounting to KD 10,219,567 (2018: KD 13,489,547) (Note 9), are not materially different from their carrying values.

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

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

31 December 2019	***Quoted prices in active markets (Level 1) KD***	***Significant unobservable inputs (Level 3) KD***	***Total fair value KD***
Financial assets available for sale:			
Quoted equity securities	**23,443,381**	**-**	**23,443,381**
Quoted managed Funds	**465,500**	**-**	**465,500**
Unquoted equity securities	**-**	**6,673,509**	**6,673,509**
Unquoted managed funds	**-**	**15,873,903**	**15,873,903**
Total	**23,908,881**	**22,547,412**	**46,456,293**
Financial assets at fair value through profit or loss:			
Unquoted equity securities	**-**	**905,895**	**905,895**
	-	**905,895**	**905,895**

31 December 2018	*Quoted prices in active markets (Level 1) KD*	*Significant unobservable inputs (Level 3) KD*	*Total fair value KD*
Financial assets available for sale:			
Quoted equity securities	23,288,264	-	23,288,264
Quoted managed Funds	1,101,756	-	1,101,756
Unquoted equity securities	-	8,683,153	8,683,153
Unquoted managed funds	-	17,360,639	17,360,639
Total	24,390,020	26,043,792	50,433,812
Financial assets at fair value through profit or loss:			
Unquoted equity securities	-	1,196,227	1,196,227
	-	1,196,227	1,196,227

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Valuation Technique	*Significant unobservable inputs*	*Range*	*Sensitivity of the input to fair value*
Unquoted equity securities	Price to book value	Discount for lack of marketability & lack of Control	10%	An increase (decrease) by 10% in the Discount for lack of marketability & lack of Control would result in increase (decrease) in fair value by KD 667 thousands.
	Price to book value	Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 643 thousands.
Unquoted managed funds	Adjusted net assets value	Discount for lack of marketability	10%	An increase (decrease) by 10% in the Discount for lack of would result in increase (decrease) in fair value by KD 1,587 thousands.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (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 the beginning of the year KD	***Net result recorded in the consolidated statement of comprehensive income KD***	***Net result recorded in the consolidated statement of income KD***	***Net purchase, transfer, sale & settlements KD***	***At the end of the year KD***
31 December 2019					
Financial assets available for sale:					
Unquoted equity securities	**8,683,153**	**(2,009,644)**	**-**	**-**	**6,673,509**
Unquoted managed funds	**17,360,639**	**686,897**	**(514,530)**	**(1,659,103)**	**15,873,903**
	26,043,792	**(1,322,747)**	**(514,530)**	**(1,659,103)**	**22,547,412**
Financial assets at fair value through profit or loss:					
Unquoted equity securities	**1,196,227**	**-**	**289,360**	**(579,692)**	**905,895**
	1,196,227	**-**	**289,360**	**(579,692)**	**905,895**

	At the beginning of the year KD	*Net result recorded in the consolidated statement of comprehensive income KD*	*Net result recorded in the consolidated statement of income KD*	*Net purchase, transfer, sale & settlements KD*	*At the end of the year KD*
31 December 2018					
Financial assets available for sale:					
Unquoted equity securities	11,770,944	(3,087,791)	-	-	8,683,153
Unquoted managed funds	17,445,993	616,238	(618,835)	(82,757)	17,360,639
	29,216,937	(2,471,553)	(618,835)	(82,757)	26,043,792
Financial assets at fair value through profit or loss:					
Unquoted equity securities	-	-	-	1,196,227	1,196,227
	-	-	-	1,196,227	1,196,227