للتأمين
التكافلي

ANNUAL REPORT

2020

Our values.. Imprinted by our name

Loyalty | Trust | Compliance | Closeness

In The Name Of Allah. The Most Gracious, The Most Merciful

“ And Say, Work And God And His Messenger

And Believers Will See Your Work”

The Holy Qu’ran, Altawba (105)

Wethaq Takaful Insurance Company (K.S.C.P)

Insurance License No. 25,

Registerd In Accordance With Insurance Companies &

Agent Law No. 24 For 1961 And Its Subsequent Amendment

Authourized & Paid Up Capital K.D. 11,025,000 /-

Kuwait - Sharq - Khalid Bin Al-Waleed st. - City Tower

P.O.Box: 371 Safat 13004 Kuwait

Tel.: 1866662 - Fax: 22491280

www.wethaq.com

His Highness

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

His Highness

Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

Board of Directors

Ibrahim Abbas Othman Sukhi

Chairman

Abdullah Mishari Al-Humaidhi

Vice Chairman

Naser Ali MohammedAl-Obaid

Member

Mubarak A. Mubarak Al-Quoud

Member

Ziad Ahmed Zaki Motawea

Member

EXECUTIVE MANAGEMENT

Abdulrahman F. Al-Suwaidan
CEO

Al-Sadiq A.Al-Tawali
D.CEO

Baha M. Maarouf
A.CEO - Administration & IT

Fawaz Saad El Mazroui
A.CEO - Production,
Marketing & Development

Ayman M. Tahan
Manager Of Marketing
& Development Dept.

Basheer Mohamad Ali
Head of Marine Dept.

Khalid Ghanim Aldeei
Head of Motors Dept.

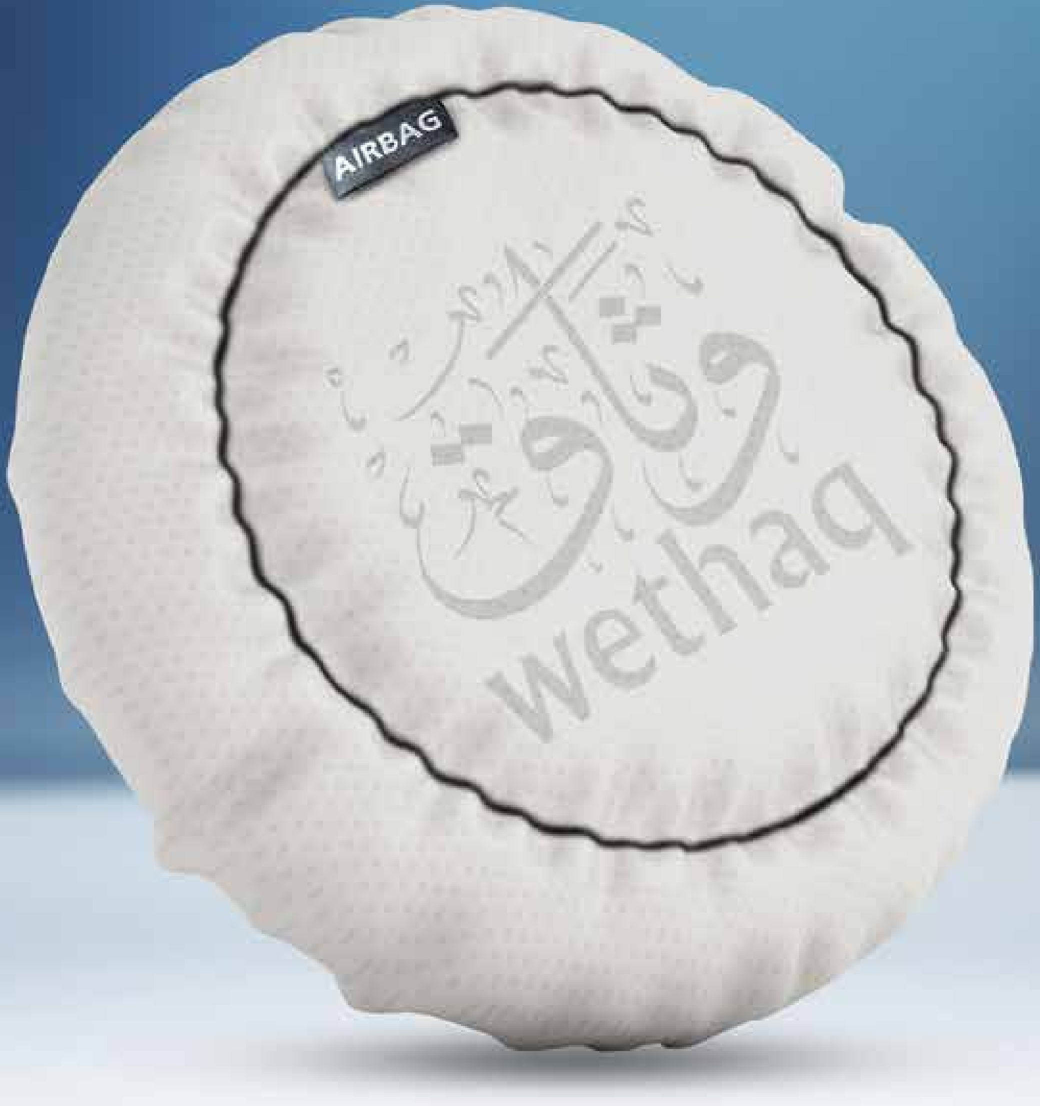
Mohammad A. Alsayed
Head of Internal Audit

Naser A. Tammam
Head of Finance Dept.

Naser A. Al-Taher
Head of Legal Dept.

Haytham M. AL Shazli
Head of FGA Dept.

WE ASPIRE TO BE
A SYMBIOTIC PIONEERS INSURANCE INDUSTRY



We aim to provide service and insurance products using the most distinctive means of technology to all segments of customers through innovation of new products aimed at achieving a surplus of insurance activity and maximizing return on investment for each of the policy holders & shareholders.

Date:17/03/2021

The Sharia Report of WETHAQ TAKAFUL INSURANCE CO.
Fatwa and Shariah Supervisory Board
For the period from 01/01/2020 to 31/12/2020

To: The Shareholders of **Wethaq Takaful Insurance Company (K.S.C**).

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2020 to 31/12/2020. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the

Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2020 to 31/12/2020. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Prof /Abdul Aziz k. Al-Qassar
Chairman of the Sharia Committee

Dr. Esam Alenezi
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

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Board of Directors Statement

2020 AD

Praise be to God, Lord of the worlds, peace and blessings be upon the master of the messengers, our honest Prophet Muhammad, his Households, all his companions, and their followers of charity until doomsday.

Dear esteemed shareholders,

Peace, mercy and blessings of God be upon you,

First of all, it is my pleasure, on behalf of myself and on behalf of the members of the board of directors of "Wethaq Takaful Insurance Company" for accepting the invitation to attend the 19th meeting of the General Assembly, also we are honored to present the Annual Report of the business and achievements of the company for the fiscal year ending 31/12/2020, Including the report of the Sharia Supervisory Board from Al Mashora & Al Rayah for Islamic Financial Consulting Company, the auditor's report, glimpses of the markets status and performance of the insurance sector activity, summary of the company's achievements and its strategies in order to achieve its goals.

Wethaq has been keen to meet the needs of customers and markets in light of the new accelerating challenges and keep abreast of these developments, in addition to continuing its cautious approach and strategy in developing competitive underwriting mechanisms and policies and following a policy of selectivity based on the principle of beneficial partnership, to maintain the best reinsurance operations to protect the rights of shareholders and policyholders. The company achieved strategic growth in some insurances that were targeted to increase and reduce other insurances that benefit the company with losses and damages, but in light of the pandemic conditions and its repercussions, the company closed 71 days completely, and the company reduced its working hours by 20% within 91 days, in addition to avoiding Direct interaction and visits to various types of clients, as these activities have decreased by about 85%, and the number of company's staff has decreased up to date, based on the decisions of the Council of Ministers regarding the precautionary and preventive measures taken regarding the pandemic Covid-19, and accordingly the company's performance recorded a decrease of nearly 32% in the total general underwritten premiums. "WETHAQ" also works on keeping pace with mechanization and interacting with customers in effective ways, through practical technological tools, in order to achieve growth in its performance and competitive capabilities.

"WETHAQ" has maintained its rating granted by the international credit rating agency Standard & Poor's S&P in 2020 at (B), but with a negative outlook, which in its last report, the agency expected "Wethaq" to increase its various insurance activities in light of difficult market conditions.

Accordingly, it was approved to raise the company's annual financial statements for the fiscal year ending on December 31, 2020, and the Board of Directors recommended not distributing profits for the ended year, as well as not distributing bonuses to members of the Board of Directors.

The following is a review of the financial results..

"WETHAQ" achieved a loss of KD 1,277,644 by (11.6) fils per share in year 2020, compared to (0.79) fils per share for the same period compared to year 2019.

The total assets depreciation rate reached 0.79%, and the shareholders' equity decrease by 1.34% compared to last year 2019.

The total assets amounted to KD 11,980,701, and total shareholders' equity amounted to KD 11,889,712.

The rate of decline in total operating income amounted to 31.87%, while the surplus of operational operations for the year 2020 amounted to KD 65,332, compared to a deficit in operational operations of KD 686,730 for the year 2019.

In conclusion, we can only extend our thanks and great gratitude to all the official authorities in the country, especially the Ministry of Commerce and Industry, the Capital Markets Authority, the Kuwait Stock Exchange, the Insurance Regulatory Unit, and all our shareholders and valued customers for the support and encouragement we have witnessed for the process of Takaful work.

God grants success.

Dr. Abdulrahman Khalifa Al-Shayji
Chairman of Board of Directors

31/12/2020

Wethaq Takaful Insurance Company K.S.C.P
And Subsidiaries - State of Kuwait

CONSOLIDATED FINANCIAL STATEMENTS

& INDEPENDENT AUDITORS' REPORT

as at 31 December 2020

Wethaq Takaful Insurance Company (K.S.C.P)
and its Subsidiaries
State of Kuwait

Consolidated financial statements
for the financial year ended 31 December 2020
and independent auditor's report

Wethaq Takaful Insurance Company (K.S.C.P)
and its Subsidiaries
State of Kuwait

Consolidated financial statements
for the financial year ended 31 December 2020
and independent auditor's report

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Independent Auditor's Report on the Audit of Consolidated Financial Statements for the financial year ended 31 December 2020

Wethaq Takaful Insurance Company (K.S.C.P)
and its Subsidiaries
State of Kuwait

To the Shareholder,

Qualified opinion

We have audited the consolidated financial statements of Wethaq Takaful Insurance Company (K.S.C.P) (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, consolidated statement of other 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

1. The consolidated financial statements for the financial year ended 31 December 2020 include the amount due from the policyholders of KD 6,310,596 (KD 6,292,981 – 31 December 2019) and Qard Hassan to policyholders amounting to KD 1,463,111 (KD 1,463,111 – 31 December 2019) after deducting the provision for due from policyholders amounting to KD 434,574 and provision for Qard Hassan to policyholders amounting to KD 162,500 (KD 434,574 and KD 162,500 respectively – 31 December 2019). The Management did not consider the impairment of such balances as at 31 December 2020 as required under the International Financial Reporting Standards. Qualified opinion was expressed in the audited consolidated financial statements for the year ended 31 December 2019 regarding this matter. We were unable to complete our review of these balances as at 31 December 2020. Had we been able to complete our review of such balances, matters might have come to our attention indicating that adjustments might be necessary to the audited consolidated financial statements.

2. The consolidated financial statements for the financial year ended 31 December 2020 include the policyholders' accounts and other receivables of KD 3,192,521 (KD 1,328,102 – 31 December 2019) and premiums receivable of KD 1,514,824 (KD 1,609,781 – 31 December 2019) respectively, representing balances brought forward from previous years in addition to the balance movement during the year. The Management did not consider the impairment thereof as required under the International Financial Reporting Standards. We were unable to complete our review of these balances as at 31 December 2020. Had we been able to complete our review of such balances, matters might have come to our attention indicating that adjustments might be necessary to the audited consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have identified the matters described below as the key audit matter:

Valuation of investment properties

The Group's investment properties represent a significant part of the total assets and comprise of buildings outside Kuwait. The valuation of investment properties is a significant judgment area requiring a number of assumptions including capital returns, future rental income, occupancy rates, right of use contract periods and renewability. Changes in these assumptions and judgments could lead to significant movements in valuation of investment properties and consequently unrealized gains or losses in the consolidated statement of profit or loss. The Group's disclosures about its investment properties are included in Note 12.

Our audit procedures included assessing the appropriateness of the Management's process for reviewing and assessing the work of the external valuer including the Management's consideration of competence and independence of the external valuer. We also assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with the Management and challenging the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties. We also obtained the underlying information provided by the Management to the independent valuer to confirm that it was consistent with the information obtained during our audit.

Other information included in the Group's Annual Report for the financial year ended 31 December 2020

Management is responsible for the other information. Other information comprises the information included in the Group's Annual Report for the financial year ended 31 December 2020, other than the consolidated financial statements and our auditor's report thereon.

We obtained the Report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during 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 the Management and Those Charged with Governance for the Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the 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, the Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

a. 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.

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

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

d. Conclude on the appropriateness of the 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.

e. 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.

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

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

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

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

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Establishment of Capital Markets Authority and its Executive Regulations, as amended, or of Law No. 125 of 2019 concerning the Regulation of Insurance during the year ended 31 December 2020 that might have had a material effect on the business or the financial position of the Parent Company, except for the following:

Violation of Ministry of Commerce & Industry's Resolution No. 13 of 2020 issuing the Executive Regulations of Law No. 103 of 2019 concerning the Practice of the Auditor's Profession, with respect to the appointment of an actuary registered with the Insurance Unit as the Company appointed Dr. Ahmed Al-Sayed Mustafa Muharram Firm, where the actuary is not registered in the Insurance Unit's Register of Actuaries as at 31 December 2020.

Ali Mohamad Al-Hamad
License No. 111-A
Ali Al-Hamad & Partners
Independent member of Baker Tilly International

State of Kuwait, 02 March 2021

بيكر تلي

Baker Tilly

Wethaq Takaful Insurance Company (K.S.C.P)
and its Subsidiaries
State of Kuwait

Consolidated statement of financial position as at 31 December 2020
(All amounts are in Kuwaiti Dinar)

	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	7	**11,169**	10,174
Investment deposits	7	**196,585**	52,000
Financial assets at fair value through profit or loss	8	**223,337**	227,303
Financial assets at fair value through other comprehensive income	9	**931,764**	1,112,996
Amount due from policyholders	10	**6,310,596**	6,292,981
Qard Hassan to policyholders	11	**1,463,111**	1,463,111
Investment properties	12	**2,828,384**	2,911,070
Property and equipment		**6,415**	-
other receivables		**9,340**	6,602
Total assets		**11,980,701**	12,076,237
Equity and liabilities			
Equity			
Share capital	13	**11,025,000**	11,025,000
Share premium	13	**7,340,937**	7,340,937
Treasury shares	13	**(50,489)**	(50,489)
Treasury shares reserve		**3,508**	3,508
Statutory reserve	14	**388,139**	388,139
Voluntary reserve	14	**388,139**	388,139
Fair value reserve		**(354,218)**	(442,170)
Foreign currency translation reserve		**153**	(1,282,478)
Employees' stock option plan reserve		**65,964**	65,964
Accumulated losses		**(6,917,421)**	(5,385,561)
Total equity		**11,889,712**	12,050,989
Liabilities			
Other payables		**90,989**	25,248
Total liabilities		**90,989**	25,248
Total equity and liabilities		**11,980,701**	12,076,237

Abdulrahman Khalifa Al-Shayji
Chairman

Abdullah Meshari Ahmed Al-Humaidhi
Vice Chairman

The notes on pages 6 to 62 form an integral part of these consolidated financial statements

Consolidated statement of profit or loss for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar)

	Note	2020	2019
Revenue			
Change in fair value of financial assets at fair value through profit or loss		**(3,966)**	2,875
Net change in fair value of investment properties		**-**	(48,668)
Rental income		**94,224**	20,000
Dividend income		**8,411**	9,788
Income from investment deposits		**9,510**	10,668
Gains on foreign exchange differences		**9,352**	-
Other income		**401**	-
Loss on revaluation of investment properties	12	**(82,686)**	-
		35,246	(5,337)
Expenses			
General and administrative expenses		**(30,412)**	(81,783)
Loss on disposal of subsidiary	6	**(1,282,478)**	-
		(1,312,890)	(81,783)
Loss for the year		**(1,277,644)**	(87,120)
Basic and diluted loss per share (Fils)	15	**(11.60)**	(0.79)

Consolidated statement of other comprehensive income for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar)

	2020	2019
Loss for the financial year	**(1,277,644)**	(87,120)
Other comprehensive income:		
Items that may be reclassified subsequently to the consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	**153**	287,552
	153	287,552
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Net change in fair value arising during the year	**(166,264)**	36,304
	(166,264)	36,304
Total other compressive (loss)/ income	**(166,111)**	323,856
Total compressive (loss)/ income for the year	**(1,443,755)**	236,736

Consolidated statement of changes in equity for the financial year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Employees' stock option plan reserve	Accumulated losses	Total
Balance as at 31 December 2018	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(457,780)	(1,570,030)	65,964	(5,319,135)	11,814,253
Loss for the year	-	-	-	-	-	-	-	-	-	(87,120)	(87,120)
Total other comprehensive income for the year	-	-	-	-	-	-	36,304	287,552	-	-	323,856
Gain on redemption of investments at fair value through other comprehensive income (Note 10)	-	-	-	-	-	-	(20,694)	-	-	20,694	-
Balance as at 31 December 2019	**11,025,000**	**7,340,937**	**(50,489)**	**3,508**	**388,139**	**388,139**	**(442,170)**	**(1,282,478)**	**65,964**	**(5,385,561)**	**12,050,989**
Loss for the year	-	-	-	-	-	-	-	-	-	(1,277,644)	(1,277,644)
Total other comprehensive (loss)/ income for the year	-	-	-	-	-	-	(166,264)	153	-		(166,111)
Loss on sale of investments	-	-	-	-	-	-	254,216	-	-	(254,216)	-
Disposal of subsidiary (Note 6)	-	-	-	-	-	-	-	1,282,478	-		1,282,478
Balance as at 31 December 2020	**11,025,000**	**7,340,937**	**(50,489)**	**3,508**	**388,139**	**388,139**	**(354,218)**	**153**	**65,964**	**(6,917,421)**	**11,889,712**

The notes on pages 6 to 62 form an integral part of these consolidated financial statements

Consolidated statement of cash flows for the financial year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	2020	2019
Cash flows from operating activities:		
Loss for the year	(1,277,644)	(87,120)
Adjustments for:		
Change in fair value of financial assets at fair value through profit or loss	**3,966**	(2,875)
Income from investment deposits	**(9,510)**	(10,668)
Loss on disposal of subsidiary	**1,282,478**	-
Dividend income	**(8,411)**	(9,788)
Change in fair value of investment properties	**82,686**	48,668
	73,565	(61,783)
Changes in operating assets and liabilities:		
Other receivables	**(2,738)**	509
Other payables	**65,894**	(3,189)
Amount due from policyholders	**(17,615)**	(1,307,091)
Net cash generated from / (used in) operating activities	**119,106**	(1,371,554)
Cash flows from investing activities:		
Proceeds from redemption of financial assets at fair value through other comprehensive income	**14,968**	555,341
Purchase of investments at fair value through profit or loss	**-**	(13,059)
Purchase of property and equipment	**(6,415)**	-
Gains received from investment deposits	**9,510**	10,668
Movement in investment deposits	**(144,585)**	810,000
Dividends received	**8,411**	9,788
Net cash (used in) / generated from investing activities	**(118,111)**	1,372,738
Increase in cash and cash equivalents	995	1,184
Cash and cash equivalents at beginning of the year	10,174	8,990
Cash and cash equivalents at end of the year	11,169	10,174

1- Incorporation and activities

Wethaq Takaful Insurance Company (the "Parent Company) is a Kuwaiti Public Shareholding Company that was incorporated on 31 July 2000 and is registered under the Insurance Companies and Agents Law No. 24 of 1961, as amended. The Parent Company's shares are listed on Boursa Kuwait.

The amendments were registered in the Commercial Register under No. 82421 on 11 June 2014. The shares of the Parent Company were listed on Boursa Kuwait on 20 December 2004. The Parent Company is supervised by Capital Markets Authority.

On 1 September 2019, the new Insurance Law No. 125 of 2019 was issued and came into force on 28 August 2019. This Law shall supersede Law No. 24 of 1961. The Executive Regulations of the new Law has not been issued until the issuance date of these consolidated financial statements.

The Group comprises the Parent Company and its subsidiaries as disclosed in Note 6.
The Parent Company is a subsidiary of the Investment Dar Company (K.S.C.C) ("Ultimate Parent Company").

The objectives for which the Parent Company is incorporated are as follows:

First: Carry on all Takaful, mutual and reinsurance business of all forms in accordance with the provisions of Islamic Sharia and governing laws.

Second: To achieve its above mentioned objectives and as per its Articles of Association, the Parent Company shall have authority to conduct the following business and acts as the Board of Directors deems appropriate:

a- Acquire and gain the right to all or any part of moveable or immovable properties, as it deems necessary, or any privileges that the Company believes to be necessary or appropriate for its business or required for growing its funds.
b- Carry out transactions and enter into all contracts with all legal dispositions as it deems necessary and suitable to achieve and facilitate its objectives on the conditions it elects.
c- Purchase, sell, mortgage, lease, replace, possess or endorse in any manner whatsoever any lands, real estate properties, securities, sukuk, stocks or any other moveable or real estate property, or sell, lease, mortgage or dispose off all or part of the company's moveable or real estate property and funds.
d- Provide advisories and conduct technical studies in insurance or reinsurance industry for companies and other entities directly interested in engaging in Takaful insurance or reinsurance business.
e- Act as valuer or appraiser in insurance industry and agent for insurance or reinsurance companies to perform all activities that are consistent with the Islamic Sharia after obtaining the necessary licenses.

f- Invest all or part of the Company's moveable property or real estate properties in different sectors as it deems appropriate in accordance with governing laws and resolutions.

g- Merge with, incorporate or participate in incorporating and subscribing for shares in companies, buy and sell companies, shares and support them in any form in line with the Company's objectives as per applicable laws.

h- Utilize the financial surpluses available with the Company through investing the same m financial portfolios managed by specialized companies and entities.

The Parent Company may carry out the above-mentioned businesses in the State of Kuwait or abroad directly or through agency. The Parent Company may have an interest or participate in any way with the entities that engage in similar business that help it achieve its objectives in Kuwait or abroad and it may establish, participate, purchase, merge with such entities.

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

The Parent Company conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The shareholders are responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated.

The Parent Company holds the physical custody and title of all assets related to the policyholders' and shareholders' operations. Such assets and liabilities together with the results of policyholders' lines of business are disclosed in the notes.

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

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

The address of the Parent Company's registered office is the State of Kuwait, Shaq, Khaled Ibn Al-Waleed Street, City Tower, Floor 11.

The consolidated financial statements for the year ended 31 December 2020 were authorized for issue by the Board of Directors of the Parent Company on 02 March 2021.

2- Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International

Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

3- Changes in accounting policies

3-1 New and revised International Financial Reporting Standards, which became effective for the current year

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the application of the following new and revised standards issued by International Accounting Standards Board (IASB) during the year.

Effect of initial adoption of Interest Rate Benchmark Reform (Amendments to IFRS 9 and IFRS 7)

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The adoption of these amendments had no material impact on the financial statements of the Company as the Company has no hedging relationships.

Effect of initial adoption of Covid-19-Related Rent Concessions (Amendment to IFRS 16)

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

The adoption of these amendments had no material impact on the consolidated financial statements of the Group.

Amendments to IFRS 3 Definition of a Business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The IASB also clarifies that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to References to the Conceptual Framework in IFRS

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IAS 1 and IAS 8 Definition of Material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The definition of material influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The threshold for materiality in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

3-2 IASB Standards issued but not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations have been published by the IASB but are not yet effective, and have not been early adopted by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the consolidated financial statements of the Group.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other receivables or services.	The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in	1 January 2022, with early application permitted.

the statement of other comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	
Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 cycle The annual improvements include amendments to several Standards: *IFRS 1 First-time Adoption of International Financial Reporting Standards* The amendment provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the accounting for cumulative translation differences. As a result of this amendment, a subsidiary that uses the exemption in IFRS 1: D16(a) may also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the	1 January 2022, with early application permitted.

parent's consolidated financial statements, based on the parent's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).	
IFRS 9 Financial Instruments The amendment clarifies that when applying the '10 per cent' test in assessing whether to derecognize a financial liability, the entity includes only the fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or lender on the other's behalf. The amendment shall be applied prospectively to modifications or exchanges occurring on or after the date on which the entity first applies the amendment.	1 January 2022, with early application permitted.
IFRS 16 Leases The amendment removes the illustration of reimbursement of leasehold improvements.	No effective date is defined.

The management does not expect that the application of the above standards and interpretations will have a material impact on the consolidated financial statements of the Group in future periods.

4- Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

4-1 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinar ("KD"), which is the functional and presentation currency of the Parent Company and are prepared under the historical cost convention, except for investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment properties, which are measured at fair value.

The Group has elected to present the "statement of profit or loss and other comprehensive income" in two separate statements: the "statement of profit or loss" and "statement of profit or loss and other comprehensive income".

4-2 Basis of consolidation

The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are consolidated when the Parent Company controls a subsidiary and the consolidation will cease when the Parent Company loses control over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates, which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture. However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

4-3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer recognizes the non-controlling interests in the acqniree either at fair value or at the proportionate share of the acquiree's identifiable net assets. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) the fair value of the consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) the acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

4-4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. For information on how goodwill is initially determined, goodwill is carried at cost less accumulated impairment losses followed by impairment testing procedures.

4-5 Dividend income

Dividend income, other than those from associates, are recognised at the time the right to receive payment is established.

4-6 Rental income

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

4-7 Income from investment deposits

Income from investment deposit is recognised on a time proportion basis taking account of the principal outstanding and profit rate applicable.

4-8 Operating expenses

Operating expenses are recognised in the consolidated statement of profit or loss upon utilization of the service or at the date of their origin.

4-9 Taxation

4-9-1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' Resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

4-9-2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit of the Group for the year after deducting Board of Directors' remuneration for the year. As per the Law, income from associates and subsidiaries, cash dividends from listed companies, which are subjected to NLST have to be deducted from the profit for the year.

4-9-3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance Resolution No. 58/2007 effective from 10 December 2007. For the year ended 31 December 2019 and 31 December 2018, the Parent Company has no liabilities towards KFAS due to accumulated losses. Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior year is permitted.

4-9-4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

4-10 Segment reporting

The Group has two operating segments: takaful insurance and investment. In identifying these operating segments, the Management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities, which are not directly attributable to the business activities of any operating segment, are not allocated to a segment.

4-11 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of these instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through other comprehensive income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of profit or loss.

Financial assets

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

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

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

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

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

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

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election at initial recognition of a financial asset:

- The Company may irrevocably elect to classifying subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- The Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in the consolidated statement of profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Parent Company may make irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the consolidated statement of other comprehensive income on disposal off these investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Dividends on these investments are recognized in the consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment income" line item in the consolidated statement of profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period, specifically,

For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investment revaluation reserve.

Impairment of financial assets

The Group applied the simplified approach and measures the loss allowance for receivables at an amount equal to lifetime ECL. The expected credit losses on receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over two years past due.

The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9, for financial instruments in cash and bank balances. The Company uses external rating agency credit grades for assessing credit risk on these financial assets and these published grades are continuously monitored and updated.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in consolidated statement of profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not classified under the following items, are subsequently measured at amortized cost using the effective interest method:

1- contingent consideration of an acquirer in a business combination,

2- held-for trading, or

3- designated as at fair value through profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in consolidated statement of other comprehensive income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, is recognized in the consolidated statement of profit or loss.

4-12 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are Grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, the Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

4-13 Investment properties

Investment properties are properties held to earn rentals and/ or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within "change in fair value of investment properties" and "gain/loss on sale of investment properties".

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, plant and equipment up to the date of change in use.

4-14 Leased assets

- **The Group as a lessee**

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

- **The Group as a lessor**

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

4-15 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "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 to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4-16 Related party transactions

Related parties represent major shareholders, subsidiaries, 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.

4-17 Foreign currency translation

Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Kuwaiti Dinar are translated into Kuwaiti Dinar upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities are translated into Kuwaiti Dinar at the closing rate at the reporting date. Income and expenses have been translated into Kuwaiti Dinar at the average rate over the reporting period. Exchange differences are charged/credited to consolidated statement of profit or loss and other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

4-18 Qard Hassan to policyholders

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

4-19 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

5- Significant management judgements and estimation uncertainty

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

5-1 Significant management judgments

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

5-1-1 Business model assessment

The Group classifies financial assets after performing the business model test. This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5-1-2 Classification of real estates

The Management decides on acquisition of a real estate whether it should be classified as trading property, property under development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

5-1-3 Control assessment

When determining control, the management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5-2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5-2-1 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group makes these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

5-2-2 Fair value of financial instruments

The Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires the Management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5-2-3 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged an independent valuation specialist to determine fair value as at 31 December 2020 and the valuer has used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6- Subsidiaries

The details of subsidiaries are as follows:

Subsidiary's name	Country of incorporation	Principal activities	Ownership percentage %	
			31 December 2020	31 December 2019
Consolidated with shareholders				
Wethaq Real Estate Investment Company	Arab Republic of Egypt	Purchase, sale, lease and acquisition of land in Egypt	-	%99.40
Hala Real Estate Investment Company (L.L.C)	Arab Republic of Egypt	Real estate investment and marketing, and purchase, sale and lease of land for its own account or third parties	**%100**	-
Consolidated with policyholders				
Wared Rent a Car Company (K.S.C.C)	State of Kuwait	Car rental and trading in cars and spare parts in the State of Kuwait	**%100**	%93.32

During the year, the Group completed the liquidation of Wethaq Real Estate Investment Company in Arab Republic of Egypt. This resulted in loss on disposal off subsidiary amounting to KD 1,282,478.

The financial statements of Wared Rent a Car Company (K.S.C.C) and Hala Real Estate Investment Company (L.L.C) are consolidated based on the financial statements prepared by the managements of the subsidiaries.

The Parent Company's ownership percentage of Hala Real Estate Investment Company (L.L.C) includes 0.5% based on assignment of a party in favor of the Parent Company.

7- Cash and cash equivalents

Cash and cash equivalents of the Group comprise of the following:

	31 December 2020	31 December 2019
Cash on hand and bank balances	**11,169**	10,174
Investment deposits with original maturity within three to twelve months	**196,585**	52,000
	207,754	62,174
Less: Investment deposits with original maturity within three to twelve months	**(196,585)**	(52,000)
Cash and cash equivalents as per consolidated statement of cash flows	**11,169**	10,174

Investment deposits carry annual effective interest rate of 6.213% (2019: from 2.625% to 3.130%).

8- Financial assets at fair value through profit or loss

	31 December 2020	31 December 2019
Local quoted securities	**223,337**	-
Local quoted securities held through managed portfolios	**-**	227,303
	223,337	227,303

9- Financial assets at fair value through other comprehensive income

	31 December 2020	31 December 2019
Local quoted securities	**231,358**	16,904
Local unquoted securities	**278,708**	78,263
Managed portfolios	**156,138**	714,215
Managed funds	**265,560**	303,614
	931,764	1,112,996

- Managed funds are investments in units of private equity funds. Fair value of these investments is measured based on the net asset value provided by the respective fund managers. The Management believes the net asset value provided by the fund managers represents the best estimate of the fair value available for these investments.
- A related party to the Group manages investment portfolios and funds owned by the Parent Company amounting to KD 156,138 (31 December 2019: KD 536,067).

10- Amount due from policyholders

	31 December 2020	31 December 2019
Opening balance at beginning of the year	**6,727,555**	5,420,464
Net movements during the year	**17,615**	1,307,091
	6,745,170	6,727,555
Less: Impairment	**(434,574)**	(434,574)
Closing balance at the end of the year	**6,310,596**	6,292,981

Net movements in policyholders' account represent the net fund transfers from and to their account in addition to the Management fees from policyholders. The Parent Company's management had decided to reduce the Management fees charged to policyholders from 20% of gross premiums to 20% of net profit of policyholders to enable settlement of the above due balances and also to settle the Qard Hassan balance (Note 11) in such a way that ensures continuity of the Takaful insurance activity of the policyholders.

11- Qard Hassan to policyholders' fund

In line with the Articles of Association, policyholders' net deficit from insurance activities has been covered by the Qard Hassan from the shareholders. The Qard Hassan provided by shareholders to the policyholders will be settled through the expected surplus from insurance activities in future years.

	31 December 2020	31 December 2019
Gross amount	**1,625,611**	1,625,611
Less: Impairment	**(162,500)**	(162,500)
Closing balance	**1,463,111**	1,463,111

12- Investment properties

	31 December 2020	31 December 2019
Carrying value at the beginning of the year	**2,911,070**	2,672,186
Change in fair value during the year	**(82,686)**	(48,668)
Foreign currency translation differences	-	287,552
	2,828,384	2,911,070

- The investment property in Egypt amounting to KD 2,697,378 (31 December 2019: KD 2,724,387) is registered in the name of a third party who issued power of attorney to other parties, which is ultimately granted to one of the Parent Company's directors, who provided an irrevocable general power of attorney in favor of the Parent Company. The property is managed by a subsidiary, i.e. Hala Real Estate Investment (L.L.C).

- The above investment properties include a right of use of hotel apartments in Zamzam Tower in Holly Mecca, the Kingdom of Saudi Arabia amounting to KD 131,006 (31 December 2019: KD 186,681).

The fair value of the Parent Company's investment properties as at 31 December 2020 was concluded based on the valuation conducted at that date by independent valuers who are not related to the Group. The valuer has valid license in each of the countries where the investment properties are located. Such valuers are licensed by the official authorities and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. In estimating the fair value of these properties, the highest and best use of the properties is their current use.

The fair value was estimated according to the following levels:

- Level 2: the fair value is determined based on the comparative market prices for the areas where the land and properties are located.
- Level 3: the fair value is determined on the basis of the income capitalization method.

The details of investment properties and information about the fair value hierarchy as at 31 December are as follows:

	Level 2	Level 3	Fair value 31 December 2020	Fair value 31 December 2019
investment property in Egypt	**2,697,378**	**-**	**2,697,378**	2,724,387
hotel apartments in Zamzam Tower in Holly Mecca	**-**	**131,006**	**131,006**	186,683
Total	**2,697,378**	**131,006**	**2,828,384**	2,911,070

13- Equity

- The authorized, issued and paid-up share capital of the Parent Company as at 31 December 2020 comprises of 110,250,000 shares of 100 Fils each (31 December 2019: 110,250,000 shares of 100 Fils each). All shares are in cash.
- Sha premium is not available for distribution.
- The Group holds treasury shares as detailed below:

	31 December 2020	31 December 2019
Number of shares	445,500	445,500
Percentage of issued shares	0.40%	0.40%
Market value (KD)	8,910	10,692
Cost (KD)	50,489	50,489

The reserves equal to the cost of held treasury shares are not available for distribution.

14- Statutory and voluntary reserves

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to statutory reserve. The Parent Company's shareholders may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend up to 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, Zakat, NLST and directors' remuneration is to be transferred to the voluntary reserve at the discretion of the Board of Directors subject to the approval of the general assembly.
There are no restrictions on the distribution of the voluntary reserve.
No transfers are required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

15- Basic and diluted (loss) per share

The basic and diluted (loss) per share is computed through dividing the (loss) by weighted average number of shares outstanding during the year (excluding the treasury shares) as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
(Loss) for the year (KD)	**(1,277,644)**	(87,120)
Number of shares	**110,250,000**	110,250,000
Less: weighted average number of treasury shares outstanding during the year	**(445,500)**	(445,500)
Weighted average number of shares outstanding during the year	**109,804,500**	109,804,500
Basic and diluted loss per share (Fils)	**(11.60)**	(0.79)

16- Shareholders' general assembly

The Board of Directors of the Parent Company proposed not to distribute any dividends for the year ended 31 December 2020, and this proposal is subject to the approval of the general assembly of the Parent Company's shareholders.

On 18 June 2020, the general assembly of the shareholders approved the consolidated financial statements of the Group for the year ended 31 December 2019 and the proposal of the Board of Directors not to distribute any dividends for the year then ended. Also, the general assembly of the shareholders approved not to allocate the Board of Directors' remuneration for the year ended 31 December 2019.

17- Consolidated policyholders' results by line of business and fund

The significant accounting policies used in accounting for the insurance business are set out below. Policies used in accounting for other accounts and transactions are the same as those adopted by the Group.

a- Revenue recognition

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of net written premiums relating to the unexpired period of coverage that extend beyond the end of the financial year; they are calculated based on a time apportionment basis over the exposure to policies.

Policy issuance fees and policy acquisition costs

Policy issuance fees and policy acquisition costs are recognised at the time of recognition of the related premium.

b- Reinsurance

In the normal course of business, the Group cedes and assumes certain levels of risk in various areas of exposure with other insurance companies or reinsurers. Such reinsurance includes quota share, excess of loss, facultative and other forms of reinsurance on essentially all lines of business.

Reinsurance ceded or assumed are deducted from gross premium to arrive at net written premium.

c- Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to consolidated statement of policyholders' results as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the financial position date. The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on the Management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the consolidated financial position date. Any difference between the provisions at the consolidated financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

d- Liability adequacy test

At each consolidated financial position 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 the light of estimated future cash flows, the entire deficiency is immediately recognised in the consolidated statement of policyholders' result and an unexpired risk provision 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 consolidated financial position date.

e- Premium and reinsurance receivables

These receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

f- Equipment

Equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's Management. Equipment is subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of equipment.

The following useful lives are applied:

- Buildings: 20 years
- Equipment: 5-8 years
- Vehicles: 4-5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of policyholders' results.

g- Life takaful mathematical reserve

The provision for life takaful contracts is calculated on the basis of an actuarial valuation method.

h- Additional reserve

The additional reserve includes amounts reserved for claims Incurred But Not Reported ("IBNR") at the financial position date in addition to other contingencies and any differences that may arise. Provision based on the Management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the financial position date.

i- Provision for employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

j- Estimation uncertainty

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

Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group makes these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

Provision for outstanding claims and IBNR

Considerable judgment by the Management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible if significant, degrees of judgment and uncertainty and actual results may differ from Management's estimates resulting in the future changes in the estimated liabilities. The Group generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. The Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis.

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.

Statement of consolidated policyholders' results by line of business:

Year ended 31 December 2020:

	Marine and aviation	General accident	Fire	Life	Total
Premiums written	214,755	2,227,974	1,350,805	184,733	**3,978,267**
Less: reinsurance ceded	(186,444)	(1,330,622)	(1,245,310)	(79,520)	**(2,841,896)**
Net premiums	28,311	897,352	105,495	105,213	**1,136,371**
Movement in unearned premiums	12,155	483,951	(12,822)	-	**483,284**
Net premiums earned	40,466	1,381,303	92,673	105,213	**1,619,655**
Policy issuance fees	10,693	71,866	1,442	173	**84,174**
Reinsurance commissions earned	49,079	66,060	60,073	5,846	**181,058**
Total revenue	**100,238**	**1,519,229**	**154,188**	**111,232**	**1,884,887**
Net claims incurred	(180,264)	(1,546,586)	(33,096)	(172,317)	**(1,932,263)**
Retakaful share of claims incurred	152,527	705,893	29,657	61,750	**949,827**
Movement in provision for claims incurred but not reported	-	-	-	-	-
Movement in life takaful mathematical reserve	-	-	-	-	-
Policy acquisition costs	(3,142)	(201,381)	(77,581)	(5,972)	**(288,076)**
Provision for outstanding claims	21,806	(576,543)	(21,647)	27,341	**(549,043)**
Total expenses	**(9,073)**	**(1,618,617)**	**(102,667)**	**(89,198)**	**(1,819,555)**
Surplus/ (deficit) by line of business	**91,165**	**(99,388)**	**51,521**	**22,034**	**65,332**
Allocation of general and administrative expenses	(49,160)	(510,010)	(309,215)	(42,288)	**(910,673)**
Net surplus/ (deficit) from insurance operations	**42,005**	**(609,398)**	**(257,694)**	**(20,254)**	**(845,341)**
Net investments and other income	7,477	77,571	47,030	6,432	**138,510**
Net surplus/	**49,482**	**(531,827)**	**(210,664)**	**(13,822)**	**(706,831)**

Notes to consolidated financial statements for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar unless otherwise stated)

	Marine and aviation	General accident	Fire	Life	Total
(deficit) from takaful insurance operations					
Income from leasing activities					**106,444**
Expenses related to leasing activities					**(137,930)**
Management fees from policyholders* - below					
Net surplus transferred to policyholders' fund					**(738,317)**
Other comprehensive income for the year:					
Equity investments at fair value through other comprehensive income					
Less: Net change in fair value arising during the year					**(2,206)**
Total other comprehensive loss for the year					**(2,206)**
Net deficit including other comprehensive income					**(740,523)**

Statement of consolidated policyholders' results by line of business:

Year ended 31 December 2019:

	Marine and aviation	General accident	Fire	Life	Total
Premiums written	231,923	3,738,862	1,550,276	317,843	**5,838,904**
Less: reinsurance ceded	(206,851)	(1,092,839)	(1,462,230)	(121,647)	**(2,883,567)**
Net premiums	25,072	2,646,023	88,046	196,196	**2,955,337**
Movement in unearned premiums	2,169	(261,852)	(9,445)	(29,597)	**(298,725)**
Net premiums earned	27,241	2,384,171	78,601	166,599	**2,656,612**
Policy issuance fees	5,089	66,143	2,301	446	**73,979**
Reinsurance commissions earned	63,645	70,769	80,499	5,873	**220,786**
Total revenue	**95,975**	**2,521,083**	**161,401**	**172,918**	**2,951,377**
Net claims incurred	(50,433)	(4,604,180)	(210,025)	(138,561)	**(5,003,199)**
Retakaful share of claims incurred	34,633	2,071,019	199,785	34,046	**2,339,483**
Movement in provision for claims incurred but not reported	-	(95)	-	-	**(95)**
Movement in life takaful mathematical reserve	-	-	-	3,722	**3,722**
Policy acquisition costs	(9,375)	(877,469)	(87,291)	(3,883)	**(978,018)**
Total expenses	**(25,175)**	**(3,410,725)**	**(97,531)**	**(104,676)**	**(3,638,107)**
Surplus/ (deficit) by line of business	70,800	(889,642)	63,870	68,242	**(686,730)**
Allocation of general and administrative expenses	(43,008)	(686,988)	(283,753)	(59,005)	**(1,072,754)**
Net surplus/ (deficit) from insurance operations	**27,792**	**(1,576,630)**	**(219,883)**	**9,237**	**(1,759,484)**
Net investments and other income	3,218	51,390	21,287	4,353	**80,248**
Net surplus/ (deficit) from takaful insurance	**31,010**	**(1,525,240)**	**(198,596)**	**13,590**	**(1,679,236)**

Notes to consolidated financial statements for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar unless otherwise stated)

	Marine and aviation	General accident	Fire	Life	Total
operations					
Income from leasing activities					**146,099**
Expenses related to leasing activities					**(168,519)**
Net surplus transferred to policyholders' fund					**(1,701,656)**
Other comprehensive income for the year:					
Equity investments at fair value through other comprehensive income					
Less: Net change in fair value arising during the year					**(9,524)**
Total other comprehensive loss for the year					**(9,524)**
Net deficit including other comprehensive income					**(1,711,180)**

* In accordance with the Parent Company's Articles of Association, shareholders are entitled to management fees from policyholders up to 20% of the total premiums written and investment income. In its meeting held on 21June 2017, the Board of Directors resolved to calculate management fees at 20% of the profit instead of 20% of revenue as a right to shareholders in the results of policyholders starting from 1 April 2017 until further notice.

Notes to consolidated financial statements for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar unless otherwise stated)

Consolidated statement of policyholders' assets, liabilities and fund

	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	**93,039**	17,708
Investment deposits	**1,093,492**	1,326,000
Financial assets at fair value through profit or loss	**-**	300,417
Accounts and other receivables	**3,192,521**	1,328,102
Premiums receivable	**1,514,824**	1,609,781
Financial assets at fair value through other comprehensive income	**128,136**	130,342
Due from related parties	**11,377**	
Goodwill	**409,766**	409,766
Reinsurers' share of outstanding claims (see b below)	**1,507,960**	4,139,475
Retakaful contribution receivables	**1,479,326**	2,408,165
Leasehold land	**277,750**	277,750
Intangible assets	**16,628**	-
Equipment	**130,320**	196,063
Total assets	**9,855,139**	12,143,569
Liabilities and Policyholders' fund		
Liabilities		
Outstanding claims reserve	**2,453,035**	5,561,105
Unearned premiums	**954,472**	1,474,573
Incurred but not reported claims reserve	**89,646**	27,708
Provision for unallocated claim settlement expenses	**34,821**	-
Lease payables	**17,019**	-
Payables and accrued expenses (see a below)	**6,919,779**	4,970,906
Amount due to shareholders	**6,745,170**	6,727,555
Qard Hassan from shareholders	**1,625,611**	1,625,611
Total liabilities	**18,839,553**	20,387,458
Policyholders' fund		
Policyholders' fund balance as at the beginning of the year	**(8,083,989)**	(6,382,331)
Net (deficit) of policyholders for the year	**(738,317)**	(1,701,656)
	(8,822,306)	(8,083,987)
Fair value reserve at beginning of the year	**(159,902)**	(150,378)
Change in fair value during the year	**(2,206)**	(9,524)
Fair value reserve at end of the year	**(162,108)**	(159,902)
Total policyholders' fund as at end of the year	**(8,984,414)**	(8,243,889)
Total liabilities and policyholders' fund	**9,855,139**	12,143,569

a- This balance includes an amount relating to liability towards a government body (the "plaintiff"). During the year ended 31 December 2017, the Court of Appeal in the State of Kuwait ruled in favor of the plaintiff ordering the Group to pay KD 3,636,022. Therefore, the Group reclassified the balance from "outstanding claims reserve" to "accounts and other payables". However, the Group filed an appeal in cassation against the Court of Appeal's judgment before the Court of Cassation. The appeal in cassation is still pending.

b- During the year, the Group received an overall assessment of a government claim for damages incurred as a result of recent rainfall in Kuwait. The Group's share of this claim was calculated to be equivalent to KD 3,087,700 out of which KD 1,774,835 was paid during the year. This amount is fully reinsured and has been recognised both in reinsurance share of outstanding claims and outstanding claims reserve.

18- Related party transactions and balances

Related parties represent 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. Transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	2020	2019
Shareholders		
Consolidated statement of profit or loss:		
Salaries and short-term benefits	**15,000**	15,000
Consolidated statement of financial position:		
Investments at fair value through other comprehensive income	**931,764**	941,008

- Transactions with related parties are subject to the approval of the shareholder's general assembly.
- Investment at fair value through other comprehensive income above include the Group's investments in the shares of subsidiaries of the Ultimate Parent Company (Investment Dar Company) amounting to KD 615,042 (31 December 2019: KD 894,357).

	2020	2019
Policyholders		
Key management compensation:		
Salaries and short-term benefits	**124,608**	181,152
End of service benefits	**8,533**	24,347
	133,141	205,499

19- Segment reporting

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision makers in order to allocate resources to the segment and to assess its performance, and is reconciled to Group's profit or loss.

The Group's presented segments are investment, Takaful insurance and car rental.

The relevant sector information is as follows:

	Investment	Takaful insurance	Unallocated	Total
Shareholders				
Year ended 31 December 2020				
Revenue	35,246	-	-	35,246
Profit/ (loss) for the year	**35,246**	-	(1,312,890)	**(1,277,644)**
As at 31 December 2020				
Total assets	4,180,070	7,773,707	26,924	**11,980,701**
Total liabilities	-	-	90,989	**90,989**
Net assets	**4,180,070**	**7,773,707**	**(64,065)**	**11,889,712**
Shareholders				
Year ended 31 December 2019				
Revenue	(5,337)	-	-	(5,337)
Profit/ (loss) for the year	(5,337)	-	(81,783)	**(87,120)**
As at 31 December 2019				
Total assets	4,303,369	7,756,092	16,776	**12,076,237**
Total liabilities	-	-	(25,248)	**(25,248)**
Net assets	4,303,369	7,756,092	(8,472)	**12,050,989**

Notes to consolidated financial statements for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar unless otherwise stated)

	Investment	Takaful Insurance	Car rental	Unallocated	Total
Policyholders					
Year ended 31 December 2020					
Revenue	138,510	1,884,887	106,444	-	2,129,841
Profit/ (loss) for the year	138,510	(845,341)	(31,486)	-	(738,317)
As at 31 December 2020					
Total assets	1,499,378	4,502,110	450,065	3,403,586	9,855,139
Total liabilities	-	15,538,777	81,449	3,219,327	18,839,553
Net assets	1,499,378	(11,036,667)	368,616	184,259	(8,984,414)
Policyholders					
Year ended 31 December 2019					
Gross revenue	80,248	2,951,377	146,099	-	3,177,724
Profit/ (loss) for the year	80,248	(1,759,484)	(22,420)	-	(1,701,656)
As at 31 December 2019					
Total assets	2,034,509	8,157,421	459,764	1,491,875	12,143,569
Total liabilities	-	(19,248,523)	(58,924)	(1,080,011)	(20,387,458)
Net assets	2,034,509	(11,091,102)	400,840	411,864	(8,243,889)

20- Risk management objectives and policies

The Group's risk and financial management framework is to protect the Group's shareholders and policyholders 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 Parent Company's Board of Directors is ultimately responsible for establishing an overall risk management function and approving risk strategies and principles.

Law No. 24 of 1961, Law No.13 of 1962 and Decree No. 5 of 1989, and the rules and regulations issued by the Ministry of Commerce and Industry provide the regulatory framework for the insurance industry in the State of Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

On 1 September 2019, the new Insurance Law No. 125 of 2019 has been issued and is effective from 28 August 2019. This law supersedes the Law No. 24 of 1961. The Executive Regulations of the new Law have not been issued yet.

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

a- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.

b- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.

c- For all other types of takaful 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- A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait

b- A maximum of 25% could be invested in foreign securities (foreign government bonds or foreign securities – bonds and shareholding companies)

c- A maximum of 30% should be invested in Kuwaiti companies' shares or bonds

d- A maximum of 15% should be in a current account with a bank operating in Kuwait

The remaining 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 senior management is responsible for monitoring compliance with the above regulation and has a delegated authorities and responsibilities from the board of directors to ensure compliance.

20-1 Insurance risk

Insurance risk is the risk that actual claims payable to policyholders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly marine and aviation, fire and general accident, motor and life risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

1- Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: Marine-Cargo, Hull Comprehensive & Third Party Liability, Fire, House-holders Comprehensive, Contractors All Risks, Erection All Risks, Machinery Breakdown, Electronic Equipment, Burglary, Personal Accident, Cash in Transit, Fidelity Guarantee, Plate Glass, Workmen Compensation, Third Party Liability, Professional Indemnity, Bankers Blanket, Travel Assistance, Motor Comprehensive, and Motor Third Party Liability and Healthcare contracts. 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.

Marine and aviation

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has reinsurance cover to limit losses for any individual claim up to KD 1,400,000 (31 December 2019: KD1,400,000).

Fire and accident

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

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has reinsurance cover for such damage to limit losses for any individual claim up to KD 3,250,000 (31 December 2019: KD 3,250,000).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Group has primarily underwritten comprehensive polices for owner/ drivers over 21 years of age. The Group has reinsurance cover to limit losses for any individual claim up to KD 600,000 (31 December 2019: KD 600,000).

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

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 above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. 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. 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 (e.g. hurricanes, earthquakes and flood damages).

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

	31 December 2020			31 December 2019		
	Gross liabilities	**Reinsurers' share**	**Net liabilities**	Gross liabilities	Reinsurers' share	Net liabilities
Marine and aviation	**226,910**	**186,442**	**40,466**	171,257	(145,354)	25,903
General accident	**2,711,926**	**1,330,622**	**1,381,304**	4,334,235	(3,024,082)	1,310,153
Fire	**1,337,983**	**1,245,310**	**92,673**	693,271	(673,433)	19,838
Total	**4,276,819**	**2,762,374**	**1,514,443**	5,198,763	(3,842,869)	1,355,894

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 one-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.

2- Life insurance contracts

For life insurance the main risks are claims for medical, death or permanent disability. The underwriting strategy for the life of business is to ensure that policies are well diversified in terms of type of risk and level of insured benefit. This is achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

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.

Life Insurance contracts offered by the Group include Group whole life insurance and Group medical including third party administration (TPA).

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

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

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

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

	31 December 2020			31 December 2019		
	Gross liabilities	**Reinsurers' share**	**Net liabilities**	Gross liabilities	Reinsurers' share	Net liabilities
Life takaful insurance	184,733	79,520	105,312	362,342	(296,606)	65,736

All life insurance contracts are in Kuwait. The analysis above would not be materially different if based on the countries in which the counterparties are situated.
Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

20-2 Financial risks

The Group's activities expose it to variety of financial risks: market risk (including currency risk, profit rate risk and equity price risk), credit risk and liquidity risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed are described below.

20-2-1 Credit risk

Credit risk is the risk that one par ty to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Group of customers in specific locations or business through diversification of its activities.

The table below show the maximum exposure to credit risk for the components of the consolidated financial position.

	31 December 2020	31 December 2019
Shareholders		
Cash and cash equivalents	**11,169**	10,174
Investment deposits	**196,585**	52,000
Other receivables	**9,340**	6,602
Qard Hassan to policyholders	**1,463,111**	1,463,111
Due from policyholders	**6,310,596**	6,292,981
	7,990,801	7,824,868

	31 December 2020	31 December 2019
Policyholders		
bank balances	**93,039**	14,080
Investment deposits	**1,093,492**	1,326,000
Accounts and other receivables	**3,192,521**	1,328,102
Premiums receivable	**1,514,824**	1,609,781
Reinsurers' share of outstanding claims	**1,507,960**	4,139,475
Retakaful contribution receivables	**1,479,326**	2,408,165
	8,881,162	10,825,603

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for related financial position lines, based on the Group's credit rating system.

Notes to consolidated financial statements for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar unless otherwise stated)

As at 31 December 2020 and 31 December 2019, credit quality per class is as follows:

	Neither past due nor impaired		Past due or impaired	Total
	High grade	Standard grade		
31 December 2020				
Shareholders				
Cash and cash equivalents	11,169	-	-	11,169
Investment deposits	196,585	-	-	196,585
Other receivables	-	9,340	-	9,340
Qard Hassan to policyholders	-	-	1,463,111	1,463,111
Due from policyholders	-	-	6,310,596	6,310,596
	207,754	**9,340**	**7,773,707**	**7,990,801**
Policyholders				
bank balances	86,022	-	-	86,022
Investment deposits	1,093,492	-	-	1,093,492
Accounts and other receivables	2,130,325		1,062,196	3,192,521
Premiums receivable	529,703	382,802	602,319	1,514,824
Reinsurers' share of outstanding claims	1,507,960	-	-	1,507,960
Retakaful contribution receivables	-	1,479,326	-	1,479,326
	5,347,502	1,862,128	1,664,515	8,874,145

	Neither past due nor impaired		Past due or impaired	Total
	High grade	Standard grade		
31 December 2019				
Shareholders				
Cash and cash equivalents	10,174	-	-	10,174
Investment deposits	52,000	-	-	52,000
Other receivables	-	6,602	-	6,602
Qard Hassan to policyholders	-	-	1,463,111	1,463,111
Due from policyholders	-	-	6,292,981	6,292,981
	62,174	6,602	7,756,092	7,824,868

Policyholders				
bank balances	14,080	-	-	14,080
Investment deposits	1,326,000	-	-	1,326,000
Accounts and other receivables	264,943	265,620	797,539	1,328,102
Premiums receivable	491,348	40,171	1,078,262	1,609,781
Reinsurers' share of outstanding claims	4,139,475	-	-	4,139,475
Retakaful contribution receivables	-	2,408,165	-	2,408,165
	6,235,846	2,713,956	1,875,801	10,825,603

20-2-2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, the Management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis. The undiscounted cash outflows for financial liabilities are not materially different from those presented below.

Maturity profile of assets and liabilities at 31 December 2020 and 31 December 2019:

31 December 2020	Up to one year	Above one year	31 December 2020
Shareholders			
Assets			
Cash and cash equivalents	11,169	-	11,169
Investment deposits	196,585	-	196,585
Investments at fair value through profit or loss	-	223,337	223,337
Investments at fair value through other comprehensive income	-	931,764	931,764
Qard Hassan to policyholders' fund	-	1,463,111	1,463,111
Due from policyholders	-	6,310,596	6,310,596
Investment properties	-	2,828,384	2,828,384
Equipment and property	-	6,415	6,415
Other receivables	-	9,340	9,340
	207,754	11,772,947	11,980,701
Liabilities			
Other payables	90,989	-	90,989
	90,989	-	90,989
Net exposure	116,765	11,772,947	11,889,712

Notes to consolidated financial statements for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar unless otherwise stated)

31 December 2020	Up to one year	Above one year	31 December 2020
Policyholders			
Assets			
Cash and cash equivalents	93,039	-	93,039
Investment deposits -	1,093,492	-	1,093,492
Investments at fair value through profit or loss	-	-	-
Accounts and other receivables	3,192,521	-	3,192,521
Premiums receivable	1,514,824	-	1,514,824
Investments at fair value through other comprehensive income	-	128,136	128,136
Due from related parties	11,377	-	11,377
Goodwill	-	409,766	409,766
Reinsurers' share of outstanding claims	-	1,507,960	1,507,960
Retakaful contribution receivables	-	1,479,326	1,479,326
Leasehold land	-	277,250	277,750
Intangible assets	-	16,628	16,628
Equipment	-	130,320	130,320
	1,526,201	3,949,386	9,855,139
Liabilities			
Outstanding claims reserve	-	2,453,035	2,453,035
Unearned premiums	-	954,472	954,472
Incurred but not reported claims reserve	-	89,646	89,646
Provision for unallocated claim settlement expenses	-	34,821	34,821
Lease payables	17,019	-	17,019
Accounts and other payables	6,919,779	-	6,919,779
Due to shareholders	-	6,745,170	6,745,170
Qard Hassan from shareholders	-	1,625,611	1,625,611
	6,936,798	11,902,755	18,839,553
Net exposure	5,410,597	7,953,369	(8,984,414)

Notes to consolidated financial statements for the financial year ended 31 December 2020
(All amounts are in Kuwaiti Dinar unless otherwise stated)

31 December 2019	Up to one year	Above one year	31 December 2019
Shareholders			
Assets	10,174	-	10,174
Cash and cash equivalents	52,000	-	52,000
Investment deposits	227,303	-	227,303
Investments at fair value through profit or loss	-	1,112,996	1,112,996
Investments at fair value through other comprehensive income	-	6,292,981	6,292,981
Due from policyholders	-	1,463,111	1,463,111
Investment properties	-	2,911,070	2,911,070
Other receivables	6,602	-	6,602
	296,079	11,780,158	12,076,237
Liabilities			
Other payables	25,248	-	25,248
	25,248	-	25,248
Net exposure	270,831	11,780,158	12,050,989
Policyholders			
Assets			
Cash and cash equivalents	17,708	-	17,708
Investment deposits	1,326,000	-	1,326,000
Investments at fair value through profit or loss	300,417	-	300,417
Accounts other receivables	1,328,102	-	1,328,102
Premiums receivable	1,609,781	-	1,609,781
Investments at fair value through other comprehensive income	-	130,342	130,342
Goodwill	-	409,766	409,766
Reinsurers' share of outstanding claims	-	4,139,475	4,139,475
Retakaful contribution receivables	280,554	2,127,611	2,408,165
Leasehold land		277,750	277,750
Equipment	-	196,063	196,063
	4,862,562	7,281,007	12,143,569

31 December 2019	Up to one year	Above one year	31 December 2019
Liabilities			
Outstanding claims reserve	-	5,561,105	5,561,105
Unearned premiums	-	1,474,573	1,474,573
Incurred but not reported claims reserve	-	27,708	27,708
Accounts and other payables	4,970,906	-	4,970,906
Due to shareholders	-	6,727,555	6,727,555
Qard Hassan from shareholders	-	1,625,611	1,625,611
	4,970,906	15,416,552	20,387,458
Net exposure	(108,344)	(8,135,545)	(8,243,889)

20-2-3 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: foreign exchange rates (currency risk), market interest rates (profit rate risk) and market prices (equity price risk).

The Group limits market risk by maintaining a diversified portfolio and by monitoring the developments in markets.

a- Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to significant currency risk because the Group's significant transactions, assets and liabilities are dominated in its functional currency.

b- Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. As the Group's interest-bearing assets are deposits with banks mostly at fixed rates over the contractual term, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not have any interest-bearing liabilities.

c- Equity price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through profit or loss and investments at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks associated with its investments in securities at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had been 5% (31 December 2019: 5%) higher /lower, the effect on the loss for the year and equity would have been as follows:

	31 December 2020		31 December 2021	
	Increase	Decrease	Increase	Decrease
Shareholders	%5	%5	%5	%5
Impact on equity	29,666	(29,666)	29,005	(29,005)
Impact on profit for the year	11,167	(11,167)	11,365	(11,365)
Policyholders				
Impact on policyholders' results	725	(725)	838	(838)

21- Fair value measurement

21-1 Fair value measurement of financial instruments

The carrying value of the Group's financial assets and liabilities stated in the consolidated statement of financial position are as follows:

	31 December 2020	31 December 2019
Shareholders' assets and liabilities		
Financial assets		
At amortized cost		
Cash and cash equivalents	**11,169**	10,174
Investment deposits	**196,585**	52,000
Due from policyholders (net of provision)	**6,310,596**	6,292,981
Qard Hassan to policyholders' fund (net of provision)	**1,463,111**	1,463,111
Other receivables	**9,340**	6,602
Financial assets at fair value		
Investments at fair value through other comprehensive income	**931,764**	1,112,996
Investments at fair value through profit or loss	**223,337**	227,303
	9,145,902	9,165,167
Financial liabilities:		
Financial liabilities at amortized cost		
Accounts and other payables	**90,989**	25,248
	90,989	25,248

	31 December 2020	31 December 2019
Policyholders' assets and liabilities		
Financial assets		
At amortized cost		
Cash and cash equivalents	**93,039**	17,708
Investment deposits	**1,093,492**	1,326,000
Accounts and other receivables	**3,192,521**	1,328,102
Premiums receivable	**1,514,824**	1,609,781
Reinsurance share of outstanding claims	**1,507,960**	4,139,475
Retakaful contribution receivables	**1,479,326**	2,408,165
Due from related parties	**11,377**	
Financial assets at fair value		
Investments at fair value through other comprehensive income	**128,136**	130,342
Investments at fair value through profit or loss	**-**	300,417
	9,020,675	11,259,990
Financial liabilities		
Financial liabilities at amortized cost		
Unearned premiums	**954,472**	1,474,573
Accounts and other payables	**6,919,779**	4,970,906
Due to shareholders	**6,745,170**	6,727,555
Qard Hassan from shareholders	**1,625,611**	1,625,611
	16,245,032	14,798,645

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortized cost, approximate their fair values.

21-1 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures financial instruments at fair value and measurement details are disclosed below. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities, which are carried at amortized costs, are considered a reasonable approximation of their fair values.

21-2 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Shareholders:				
Investments at fair value through profit or loss				
Local quoted securities held though managed portfolios	-	-	-	-
Investments at fair value through other comprehensive income				
• Local quoted securities	369,981	-	-	369,981
• Local unquoted securities	-	-	561,783	561,783
• Managed portfolios	-	-	-	-
• Managed funds	-	-	-	-
	593,318	-	561,783	1,155,101
Policyholders				
Investments at fair value through profit or loss				
• Managed funds	-	-	-	-
Investments at fair value through other comprehensive income	-		113,625	113,625
• Local quoted securities	14,511	-	-	14,511
• Managed portfolios	-	-	-	-
	14,511	-	113,625	128,136

31 December 2019

	Level 1	Level 2	Level 3	Total
Shareholders:				
Investments at fair value through profit or loss				
• Local quoted securities held though managed portfolios	227,303	-	-	227,303
Investments at fair value through other comprehensive income				
• Local quoted securities	16,904	-	-	16,904
• Local unquoted securities	-	-	78,263	78,263
• Managed portfolios	335,896	-	378,319	714,215
• Managed funds	-	303,614	-	303,614
	580,103	303,614	456,582	1,340,299
Policyholders				
Investments at fair value through profit or loss				
• Managed funds	-	300,417	-	300,417
Investments at fair value through other comprehensive income				
• Local quoted securities	16,750	-	-	16,750
• Managed portfolios	-		113,592	113,592
	16,750	300,417	113,592	430,759

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a- **Quoted securities:** All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b- **Unquoted securities:** Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

c- **Managed funds and portfolios:** The underlying investments of managed funds and portfolios primarily comprise of local and foreign quoted and unquoted securities whose fair values have been determined based on the fund's /portfolio's managers' report as at the reporting dates.

Level 3 fair value measurements

The Group's financial assets classified in Level3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Policyholders		Shareholders	
	Unquoted securities		Unquoted securities	
	Investments at fair value through OCI	Investments at fair value through OCI	**Investments at fair value through OCI**	Investments at fair value through OCI
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
Opening balance	**113,592**	150,500	**456,582**	591,317
Transfer	**-**	-	**-**	-
Disposal	**-**	(37,625)	**-**	(10,965)
Change in fair value	**14,544**	717	**105,201**	(123,770)
Closing balance	**128,136**	113,592	**561,783**	456,582

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The valuation techniques used for instruments categorized in Level 3 are described below:

The fair value of financial instruments that are not traded in an active market (e.g. unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments is approximately the summation of the estimated value of underlying investments as if realized on the consolidated statement of financial position date. The investment managers, in determining the fair value of these investments, use a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

The impact on the consolidated statement of profit or loss and the consolidated statement of other comprehensive income would be immaterial if the relevant risk variable used to fair value the Level 3 investments were changed by 5%.

21-3 Fair value measurement of non-financial assets

The following table shows the fair value hierarchy of non-financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
31 December 2020				
Investment property				
• Investment building in Egypt	-	2,697,378	-	2,697,378
• Hotel apartments in Zamzam Tower in Holly Mecca	-	-	131,006	131,006
	-	2,697,378	131,006	2,828,384

	Level 1	Level 2	Level 3	Total
31 December 2019				
Investment property				
• Investment building in Egypt	-	-	2,724,387	2,724,387
			2,724,387	2,724,387

Fair value of the Group's investment property is estimated based on appraisals performed by an independent, professionally qualified property valuer. The significant inputs and assumptions are developed in close consultation with management.

22- Contingent liabilities

The Group is a defendant in a number of legal cases filed by Takaful contract holders in respect of claims subject to dispute with the Group including a legal case filed by a government body against the Group for an amount of KD 3,636,022, which the Group has provided for in the accounts and other payable . Although the Court of Appeal passed its ruling in favor of the State and the Parent Company filed appeal in cassation before the Court of Cassation, the Parent Company has made provisions which, in its opinion, are adequate to cover any resultant liabilities.

23- Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and provide adequate return to its shareholders through the optimization of the capital structure.

The capital consists of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and other variables associated risk characteristics of the Group's underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group monitors its capital by way of return on equity. This is calculated by reference to (loss) for the year divided by total equity as follows:

	31 December 2020	31 December 2019
(Loss) for the year	**(1,277,644)**	(87,120)
Total equity	**11,889,712**	12,050,989
Return on equity	**(% 10.75)**	(% 0.72)

24- Impact of COVID-19 Pandemic

In light of the emergence of the Coronavirus (COVID-19) in the People's Republic of China and its spread at a later stage in a number of countries in the world, the World Health Organization has announced a global epidemic classification, and in light of its outbreak at the level of the continents of the world, the World Health Organization has declared it to be classified from an epidemic to a pandemic. This has made the world's governments close their borders, suspend their operations, and apply curfew within their borders. In the State of Kuwait, a number of legislations were issued as part of the precautionary measures to combat the aforementioned pandemic, as outlined below:

a- On 25 February 2020, all flights from certain countries were suspended. Subsequently, the suspension was extended to cover all air traffic in the State of Kuwait on 12 March 2020.

b- On 10 March 2020, the government started imposing a moratorium on certain commercial activities, leading to the implementation of a partial curfew from 22 March 2020.

c- On 11 March 2020, the Council of Ministers announced the suspension of government and private entities for a period of two weeks, and then it was extended until 18 June 2020.

d- On 28 May 2020, the Council of Ministers announced the suspension of government entities for a period of three weeks, which was then was extended until 21 June 2020.

e- On 30 June 2020, the government and business entities began to gradually resume business activities.

As a result of these precautionary measures, the business has been suspended either totally or partially, depending on the business sector and according to the requirements of controlling the pandemic.

The Group's Management assessed the effect on the financial statements as a result of the current conditions. Significant changes are outlined below:

a- The Group considered the available information and current conditions as well as economic forecasts when determining the fair value of investment properties in the consolidated financial statements. The Management believes that the recognized values of investment properties represent the best estimate in light of the current situation, reflecting impairment of investment properties by KD 136,000.

b- The Group studied the potential effects of fluctuations in the current market to determine the amounts recognized for the Group's unquoted financial assets in light of the impact of COVID-19. This represents the best evaluation by the management based on the available observable information as at the date of the consolidated financial statements. The Group closely monitors if the fair value of financial assets and liabilities represents the price that would be realized for transactions among market participants under the current scenario.