

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

30 JUNE 2020

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF WARBA INSURANCE COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Warba Insurance Company K.S.C.P. (the “Parent Company”) and its subsidiary (collectively “the Group”) as at 30 June 2020, and the related interim condensed consolidated statements of income, and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2020 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER

LICENCE NO. 207-A

EY

AL AIBAN, AL OSAIMI & PARTNERS

6 August 2020

Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 KD	2019 KD	2020 KD	2019 KD
REVENUES:					
Gross premiums written		5,630,980	6,100,181	15,631,446	14,988,159
Premium ceded to reinsurers		(2,453,263)	(2,311,603)	(7,405,934)	(6,545,172)
Net premiums written		3,177,717	3,788,578	8,225,512	8,442,987
Movement in unearned premium reserve		169,689	(445,827)	33,069	(676,610)
Movement in life mathematical reserve		78,405	137,383	83,269	98,977
Net premiums earned		3,425,811	3,480,134	8,341,850	7,865,354
Commissions income on ceded reinsurance		268,032	271,458	688,105	628,562
Policy issuance fees		15,126	50,739	54,475	97,080
Total revenues		3,708,969	3,802,331	9,084,430	8,590,996
EXPENSES:					
Net claims incurred		(2,301,590)	(2,169,661)	(4,401,663)	(4,546,720)
Commissions and premiums' acquisition costs		(420,749)	(430,712)	(1,031,199)	(942,519)
General and administrative expenses		(1,255,395)	(1,288,623)	(2,595,469)	(2,725,561)
Total expenses		(3,977,734)	(3,888,996)	(8,028,331)	(8,214,800)
NET UNDERWRITING INCOME		(268,765)	(86,665)	1,056,099	376,196
Net investment income	3	986,846	841,319	469,110	1,195,750
Share of results of associates		91,036	79,758	79,633	151,083
Other insurance services income		112,048	119,760	292,261	260,453
Foreign currency exchange difference		(117,030)	8,434	(5,955)	13,866
Other income (loss)		1,237	60,824	(6,210)	60,893
		805,372	1,023,430	1,884,938	2,058,241
OTHER EXPENSES:					
Other insurance services expense		(133,049)	(200,935)	(274,619)	(393,797)
Allowance for impairment of doubtful and bad debts		(500,000)	(358,332)	(500,000)	(508,332)
		(633,049)	(559,267)	(774,619)	(902,129)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST) and Zakat		172,323	464,163	1,110,319	1,156,112
Contribution to KFAS		(1,443)	(4,279)	(10,137)	(10,958)
NLST		(6,335)	(6,991)	(26,415)	(27,409)
Zakat		(1,934)	(2,244)	(9,966)	(9,908)
PROFIT FOR THE PERIOD		162,611	450,649	1,063,801	1,107,837
Attributable to:					
Equity holders of the Parent Company		145,887	445,966	1,041,404	1,129,470
Non-controlling interest		16,724	4,683	22,397	(21,633)
		162,611	450,649	1,063,801	1,107,837
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	4	0.88 Fils	2.68 Fils	6.27 Fils	6.80 Fils

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 June 2020

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	162,611	450,649	1,063,801	1,107,837
Other comprehensive (Loss) income:				
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>				
- Net unrealized (loss) gain of financial assets available for sale	(1,330,739)	(1,093,779)	(3,523,803)	939,780
- Impairment loss of financial assets available for sale 3	95,876	-	95,876	-
- Share of other comprehensive loss of associates	(5,348)	(98)	(5,725)	(98)
Other comprehensive (loss) income for the period	(1,240,211)	(1,093,877)	(3,433,652)	939,682
Total comprehensive (loss) income for the period	(1,077,600)	(643,228)	(2,369,851)	2,047,519
Attributable to:				
Equity holders of the Parent Company	(1,094,324)	(647,911)	(2,392,248)	2,069,152
Non-controlling interests	16,724	4,683	22,397	(21,633)
	(1,077,600)	(643,228)	(2,369,851)	2,047,519

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

		30 June 2020 KD	(Audited) 31 December 2019 KD	30 June 2019 KD
	Notes			
ASSETS				
Property and equipment	5	7,228,077	7,302,192	7,279,102
Investment in associates		7,639,001	7,565,095	7,421,090
Loan secured by life insurance policies		27,718	26,491	21,434
Financial assets available for sale	6	16,965,975	20,445,323	17,918,333
Financial assets at fair value through profit or loss		7,694,041	7,911,186	7,261,104
Reinsurance share in outstanding claims reserve		49,340,786	49,202,692	29,679,726
Insurance and reinsurance receivables		15,692,989	13,503,821	18,238,648
Other assets		6,845,789	6,097,469	5,400,622
Term deposits	7	6,588,215	6,671,600	6,674,010
Bank balances and cash	8	3,989,390	414,143	2,038,488
TOTAL ASSETS		122,011,981	119,140,012	101,932,557
EQUITY AND LIABILITIES				
Equity				
Share capital	9	17,710,846	17,278,874	17,278,874
Statutory reserve		8,781,109	8,781,109	8,781,109
General reserve		4,000,000	4,000,000	4,000,000
Voluntary reserve		764,895	764,895	764,895
Treasury shares	10	(1,275,970)	(1,275,970)	(1,275,970)
Treasury shares reserve		164,760	164,760	164,760
Cumulative changes in fair values reserve		3,007,789	6,441,441	6,346,353
Retained earnings		1,345,656	1,951,903	1,910,994
Equity attributable to equity holders of the Parent Company		34,499,085	38,107,012	37,971,015
Non-controlling interests		(6,750)	(29,147)	(10,349)
Total equity		34,492,335	38,077,865	37,960,666
Liabilities				
Insurance contract liabilities	11	66,522,582	65,285,130	46,510,104
Insurance and reinsurance payables		10,556,682	9,177,949	11,447,158
Other liabilities		10,440,382	6,599,068	6,014,629
Total liabilities		87,519,646	81,062,147	63,971,891
TOTAL EQUITY AND LIABILITIES		122,011,981	119,140,012	101,932,557

Anwar Jawad Bu Khamseen
Chairman

Sheikh / Mohammed Jarrah Sabah Al-Sabah
Vice Chairman

WARBA INSURANCE
وربة تأمين

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2020

	Equity attributable to equity holders of the Parent Company										
	Share capital KD	Statutory reserve KD	General reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair values reserve KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total equity KD
Balance as at 1 January 2020 <i>(audited)</i>	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	6,441,441	1,951,903	38,107,012	(29,147)	38,077,865
Profit for the period	-	-	-	-	-	-	-	1,041,404	1,041,404	22,397	1,063,801
Other comprehensive loss	-	-	-	-	-	-	(3,433,652)	-	(3,433,652)	-	(3,433,652)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(3,433,652)	1,041,404	(2,392,248)	22,397	(2,369,851)
Bonus shares (Note 12)	431,972	-	-	-	-	-	-	(431,972)	-	-	-
Cash dividends (Note 12)	-	-	-	-	-	-	-	(1,215,679)	(1,215,679)	-	(1,215,679)
Balance as at 30 June 2020	17,710,846	8,781,109	4,000,000	764,895	(1,275,970)	164,760	3,007,789	1,345,656	34,499,085	(6,750)	34,492,335
Balance as at 1 January 2019 <i>(audited)</i>	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	5,406,671	781,524	35,901,863	11,284	35,913,147
Profit (loss) for the period	-	-	-	-	-	-	-	1,129,470	1,129,470	(21,633)	1,107,837
Other comprehensive income	-	-	-	-	-	-	939,682	-	939,682	-	939,682
Total comprehensive income (loss) for the period	-	-	-	-	-	-	939,682	1,129,470	2,069,152	(21,633)	2,047,519
Balance as at 30 June 2019	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	6,346,353	1,910,994	37,971,015	(10,349)	37,960,666

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For period ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		1,110,319	1,156,112
<i>Adjustments to reconcile profit for the period to net cash flows:</i>			
Unrealized loss (gain) of financial assets at fair value through profit or loss	3	410,481	(356,342)
Realized gain from sale of financial assets at fair value through profit or loss	3	(17,981)	-
Impairment loss of financial assets available for sale	3	95,876	-
Loss from sale of financial assets available for sale	3	-	96,464
Dividend income	3	(689,319)	(746,145)
Interest income	3	(268,167)	(189,727)
Share of results of associates		(79,633)	(151,083)
Depreciation of property and equipment		103,636	143,298
Allowance for impairment of doubtful and bad debts		500,000	508,332
Provision for employees' end of service benefits		75,189	122,404
Foreign currency exchange differences		(44,453)	-
		1,195,948	583,313
Changes in operating assets and liabilities:			
Reinsurance share in outstanding claims reserve		(138,094)	4,466,430
Insurance and reinsurance receivables		(2,689,169)	2,972,814
Other assets		(661,125)	(369,907)
Insurance contract liabilities		1,237,452	(5,692,667)
Insurance and reinsurance payables		1,378,733	(2,996,976)
Other liabilities		2,586,044	444,171
Cash flows from (used in) operations		2,909,789	(592,822)
Employees' end of service benefits paid		(82,116)	(128,196)
Net cash flows from (used in) operating activities		2,827,673	(721,018)
INVESTING ACTIVITIES			
Net movement in term deposits		83,385	1,047
Movement in loans secured by life insurance policies		(1,226)	1,218
Purchase of financial assets at fair value through profit or loss		(2,187,562)	-
Proceed from sale of financial assets at fair value through profit or loss		2,012,207	-
Purchases of property and equipment		(29,521)	(42,913)
Dividends received		583,492	746,145
Interest income received		286,799	136,760
Net cash flows from investing activities		747,574	842,257
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,575,247	121,239
Cash and cash equivalents at beginning of the period		414,143	1,917,249
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8	3,989,390	2,038,488

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

1 INCORPORATION AND OBJECTIVES OF THE PARENT COMPANY

Warba Insurance Company K.S.C.P. (the "Parent Company") was incorporated as a Public Kuwaiti Shareholding Company in State of Kuwait in accordance with the Amiri Decree of October 24, 1976.

The objectives of the Parent Company are to underwrite life and non- life insurance risks such as fire, general accidents, marine and aviation and others; lend funds which resulted from issuance of insurance policies and to invest in permitted securities.

The address of the Parent Company's registered office is at P.O. Box 24282 Safat, 13103 - State of Kuwait.

The interim condensed consolidated financial information of the Group for the six months' period ended 30 June 2020 were authorized for issuance by the Board of Directors on 6 August 2020.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the shareholders at the Annual General Assembly Meeting held on 7 May 2020 (Note 12).

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group has been prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six months' period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards did not have material impact on the financial performance or interim condensed consolidated financial position of the Group.

Amendments to IFRS 3: Definition of a Business

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

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

**2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)**

Amendments to IAS 1 and IAS 8: Definition of Material:

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of the Group, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

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

2.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s interim condensed consolidated financial information are listed below. The Group intends to adopt these standards when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- ✦ A specific adaptation for contracts with direct participation features (the variable fee approach).
- ✦ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

3 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interest income	102,659	96,981	268,167	189,727
Dividend income	575,513	661,380	689,319	746,145
Loss from sale of financial assets available for sale	-	-	-	(96,464)
Unrealized gain (loss) of financial assets at fair value through profit or loss	405,017	82,958	(410,481)	356,342
Realized (loss) gain from fair value through profit or loss investments	(467)	-	17,981	-
Impairment loss of financial assets available for sale (Note 6)	(95,876)	-	(95,876)	-
	<u>986,846</u>	<u>841,319</u>	<u>469,110</u>	<u>1,195,750</u>

4 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	145,887	445,966	1,041,404	1,129,470
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares) (shares)	166,142,835	166,142,835	166,142,835	166,142,835
Earnings per share	<u>0.88 Fils</u>	<u>2.68 Fils</u>	<u>6.27 Fils</u>	<u>6.80 Fils</u>

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

Earnings per share calculation for the period ended 30 June 2019 have been adjusted to take account of the bonus share issued in 2020.

5 PROPERTY AND EQUIPMENT

The Group's land and building with a net carrying value of KD 2,827,501 (31 December 2019 KD: 2,827,501 and 30 June 2019 KD: 2,749,503) are under lien to the Ministry of Commerce and Industry.

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i>		<i>(Audited)</i>	<i>30 June</i>
	<i>2020</i>		<i>31 December</i>	<i>2019</i>
	<i>KD</i>		<i>2019</i>	<i>2019</i>
	<i>KD</i>		<i>KD</i>	<i>KD</i>
Quoted securities*	10,582,637	13,843,498	13,843,498	13,901,731
Unquoted securities	627,408	723,284	723,284	604,602
Investment in bonds**	5,755,930	5,878,541	5,878,541	3,412,000
	<u>16,965,975</u>	<u>20,445,323</u>	<u>20,445,323</u>	<u>17,918,333</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

6 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

* Quoted shares with a fair value of KD 2,348,955 (31 December 2019: KD 3,476,205 and 30 June 2019: KD 3,381,210) are under lien to the Ministry of Commerce and Industry.

** Bonds carry interest rate ranging from 4% to 6.5% per annum (31 December 2019: 4.75% to 6.75% and 30 June 2019: 4.75% to 6.50%), mature in 5 to 10 years. The KD denominated bonds amounting KD 2,500,000 (31 December 2019: KD 2,500,000 and 30 June 2019: KD 2,500,000) are carried at cost less impairment since their fair values cannot be reliably determined, while the rest (USD denominated) are carried at fair value.

As at 30 June 2020, the management has performed a review of its financial assets available for sale to assess whether any impairment has occurred in their value. Accordingly, an impairment loss of KD 95,876 has been recorded in the interim condensed consolidated statement of income (31 December 2019: KD Nil and 30 June 2019: KD Nil).

7 TERM DEPOSITS

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

Term deposits include an amount of KD 5,185,415 held in State of Kuwait under lien to the Ministry of Commerce and Industry in accordance with insurance regulations of State of Kuwait (31 December 2019: KD 5,185,415 and 30 June 2019: KD 5,185,415).

The effective interest rate on term deposits was 2% to 3.5% per annum (31 December 2019: 2.75% to 3.5% and 30 June 2019: 2.6% to 3.5%).

8 CASH AND CASH EQUIVALENTS

	<i>30 June</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 June</i> <i>2019</i> <i>KD</i>
Cash on Hand	17,072	40,826	20,733
Cash in Portfolio	1,355,871	12,851	12,860
Bank Balances	2,616,447	360,466	2,004,895
Cash and cash equivalents	<u>3,989,390</u>	<u>414,143</u>	<u>2,038,488</u>

9 SHARE CAPITAL

The authorized, issued and paid-up capital consists of 177,108,460 shares (31 December 2019: 172,788,740 shares and 30 June 2019: 172,788,740 shares) of 100 fils each, fully paid in cash (Note 12).

10 TREASURY SHARES

	<i>30 June</i> <i>2020</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i>	<i>30 June</i> <i>2019</i>
Number of shares	10,965,625	10,698,171	10,698,171
Percentage to issued shares (%)	6.19	6.19	6.19
Market value (KD)	833,388	663,287	684,683
Cost (KD)	1,275,970	1,275,970	1,275,970

Reserves equivalent to the cost of treasury shares held are not available for distribution.

The weighted average market price of the Parent Company's shares for the period ended 30 June 2020 was 76 fils per share (31 December 2019: 62 fils per share and 30 June 2019: 64 fils per share).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

11 INSURANCE CONTRACT LIABILITIES

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Reserve for outstanding claims	59,948,684	58,634,610	39,663,701
Reserve for unearned premiums	4,363,119	4,396,188	4,811,610
Reserve for life mathematical	1,862,142	1,945,411	1,724,019
Unearned Reinsurance Commission	348,637	308,921	310,774
	<u>66,522,582</u>	<u>65,285,130</u>	<u>46,510,104</u>

12 ANNUAL GENERAL ASSEMBLY (AGM)

The General Assembly meeting of the shareholders of the Parent Company held on 7 May 2020 approved the consolidated financial statements for the year ended 31 December 2019 and directors' proposal to distribute 7.5% of the share value 7.5% in cash dividends and 2.5% of bonus shares (31 December 2019: Nil and 30 June 2019: Nil).

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

13 SEGMENT INFORMATION

The Group operates in six segments: general risk insurance, life and medical insurance and investment. Within general risk insurance are Marine and Aviation, Fire and General Accidents and Motor.

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

The following are the details of these segments:

30 June 2020	General risk insurance			Total general risk insurance KD	Life and medical insurance KD	Investment KD	Unallocated KD	Total KD
	Marine & aviation KD	General accidents and fire KD	Motor KD					
Segment revenue	291,951	1,329,985	2,793,716	4,415,652	4,668,778	548,743	280,096	9,913,269
Segment results	85,320	734,259	286,091	1,105,670	214,209	504,273	(760,351)	1,063,801
Assets				Total general risk insurance KD	Life and medical insurance KD	Investment KD		Total KD
				83,745,960	5,967,004	32,299,017		122,011,981
Liabilities				82,534,833	4,984,813	-		87,519,646
31 December 2019 (Audited)				Total general risk insurance KD	Life and medical insurance KD	Investment KD		Total KD
Assets				77,587,131	5,631,277	35,921,604		119,140,012
Liabilities				75,391,662	5,670,485	-		81,062,147

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

13 SEGMENT INFORMATION (continued)

30 June 2019	General risk insurance			Total general risk insurance KD	Life and medical insurance KD	Investment KD	Unallocated KD	Total KD
	Marine & aviation KD	General accidents and fire KD	Motor KD					
Segment revenue	371,022	1,516,963	2,970,944	4,858,929	4,232,066	1,346,835	(164,789)	10,273,041
Segment results	451,041	465,922	143,364	1,060,327	271,322	1,305,394	(1,529,206)	1,107,837
Assets				<i>Total general risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Investment KD</i>		<i>Total KD</i>
Liabilities				63,521,523	5,810,507	32,600,527		101,932,557
				58,900,067	5,071,824	-		63,971,891

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

14 RELATED PARTY DISCLOSURES

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

Balances included in the interim condensed consolidated statement of financial position:

	<i>30 June</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 June</i> <i>2019</i> <i>KD</i>
Insurance activities			
Insurance services receivable	5,114,789	4,637,128	5,812,896
Insurance Service payable	487,702	462,712	554,903
Investment activities			
Financial assets at fair value through profit or loss	6,595,045	6,546,532	5,995,189
Financial assets available for sale	6,531,264	9,511,572	9,380,789
Deposits and bank balances	8,182,389	6,406,511	7,534,255

Transactions included in the interim condensed consolidated statement of income:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Premiums written	272,486	262,864	1,131,131	1,085,943
Dividend income	339,541	433,685	414,929	482,303

Compensation to key management personnel:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Short term employees' benefits	280,810	109,471	506,512	325,961
Employees' end of service benefit	9,214	9,374	18,427	18,645
	<u>290,024</u>	<u>118,845</u>	<u>524,939</u>	<u>344,606</u>

15 CAPITAL COMMITMENTS AND CONTINGENCIES

	<i>30 June</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 June</i> <i>2019</i> <i>KD</i>
Letters of guarantee	218,994	796,794	22,516
Capital commitments	6,480	6,480	58,064

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost amounting to KD 2,500,000 (31 December 2019: KD 2,500,000 and 30 June 2019: KD 2,500,000) (Note 6), are not materially different from their carrying values.

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

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

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

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

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

	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total fair Value</i>
As at 30 June 2020	KD	KD	KD	KD
Financial assets at fair value through profit or loss	7,535,791	158,250	-	7,694,041
Financial assets available for sale	10,582,637	3,255,930	627,408	14,465,975
Total	18,118,428	3,414,180	627,408	22,160,016
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total fair Value</i>
As at 31 December 2019 (Audited)	KD	KD	KD	KD
Financial assets at fair value through profit or loss	7,715,970	195,216	-	7,911,186
Financial assets available for sale	13,843,498	3,378,541	723,284	17,945,323
Total	21,559,468	3,573,757	723,284	25,856,509

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 30 June 2019	<i>Quoted prices in active markets (Level 1)</i> KD	<i>Significant observable inputs (Level 2)</i> KD	<i>Significant unobservable inputs (Level 3)</i> KD	<i>Total fair Value</i> KD
Financial assets at fair value through profit or loss	7,261,104	-	-	7,261,104
Financial assets available for sale	13,901,731	912,000	604,602	15,418,333
Total	21,162,835	912,000	604,602	22,679,437

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

	<i>Valuation Technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted securities	Price to book value	Discount for lack of marketability & lack of Control	10%	An increase (decrease) by 10% in the Discount for lack of marketability & lack of control would result in increase (decrease) in fair value by KD 84 thousands.
	Price to book value	Price to book multiple	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 63 thousands.

During the period ended 30 June 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

As at 30 June 2020	<i>At the beginning of the period/year</i> KD	<i>Net fair value recorded in the interim condensed consolidated statement of comprehensive income</i> KD	<i>Net result recorded in the interim condensed consolidated statement of income</i> KD	<i>Net purchases, transfer, sales and settlements</i> KD	<i>At the end of the period /year</i> KD
Financial assets available for sale	723,284	-	(95,876)	-	627,408
	723,284	-	(95,876)	-	627,408

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 June 2020

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2019 (Audited)	<i>At the beginning of the period/year</i>	<i>Net fair value recorded in the interim condensed consolidated statement of comprehensive income</i>	<i>Net result recorded in the interim condensed consolidated statement of income</i>	<i>Net purchases, transfer, sales and settlements</i>	<i>At the end of the period /year</i>
<i>Financial assets available for sale</i>	604,602	118,682	-	-	723,284
	<u>604,602</u>	<u>118,682</u>	<u>-</u>	<u>-</u>	<u>723,284</u>
 As at 30 June 2019					
<i>Financial assets available for sale</i>	604,602	-	-	-	604,602
	<u>604,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,602</u>

17 COVID-19

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

Recoverability of receivables

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

Based on management's, the Group has not identified a material impact to the recoverability of receivables for the period ended 30 June 2020.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets.

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

Based on management's, the Group has not identified a material impact to the fair values of financial assets and liabilities for the period ended 30 June 2020 except for what is disclosed in the interim condensed consolidated financial information under financial assets available for sale and financial assets at a fair value through profit or loss.

Outstanding claims

The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the period ended 30 June 2020. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.