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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (Collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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

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

Key Audit Matters (continued)

a) Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts are significant to the Group's consolidated financial statements at 31 December 2021. The determination as to whether a receivable is collectable involves significant management judgment. Management considers specific factors including the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

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

Our audit procedures included evaluating the ageing analyses of receivable balances where no provision was recognised, to check that there were no indicators of impairment. This included verifying if payments had been received subsequent to the year-end, reviewing historical payment patterns and any correspondence with customers' and other re-insurers on expected settlement dates.

We selected a sample of the receivable balances where a provision for impairment of receivables was recognised and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments, we verified whether balances were overdue, the customers' and other re-insurers historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

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

Further, we assessed the adequacy of the disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 11 and 12 to the consolidated financial statements.

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

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

Key Audit Matters (continued)

b) Impairment of Goodwill

The impairment testing of goodwill performed by the management is significant to our audit because assessment of the recoverable amount of cash generating unit (CGU) under the value-in-use basis is complex and requires considerable judgment on the part of management. As disclosed in Note 2.6 and 8 to the consolidated financial statements, management's impairment assessment process is highly judgmental and is carried out using various variables and assumptions, including estimated future cashflows, terminal growth rate and discount rates, which are affected by expected future market or economic conditions. Given the high level of management judgment in their impairment assessment, we considered this area to be a key audit matter.

Our audit procedures included an assessment of the management's estimates, evaluation and testing the assumptions, methodologies, cash generating unit (CGU) determination, discount rates and data used by the Group. We evaluated the basis of preparing those forecasts taking into account the appropriateness of forecasts and the evidence supporting underlying assumptions. Future cashflows assumptions were evaluated through comparison of current and historical performance, seeking corroborative evidence and enquiry with management in respect of key growth and performance assumptions. We further evaluated the reasonableness of other key assumptions such as the discount rate and long-term growth rate in the value in use model. We also performed procedures in relation to the mathematical integrity of management's model and carried out audit procedures on management's sensitivity calculations, which are disclosed in Note 8 of the consolidated financial statements.

c) Insurance and Reinsurance Technical Reserves

Insurance and reinsurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred But Not Reported reserve ("IBNR"). As at 31 December 2021, the insurance and reinsurance technical reserves are significant to the Groups total liabilities. As disclosed in Notes 2.6 and 12 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities. The Group uses valuation models to support the calculations of the insurance and reinsurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.

Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, morbidity and customer behavior, along with Group's historical claims data are key inputs used to estimate these long-term liabilities. Due to the significance of estimation uncertainty associated with the determination of the insurance and reinsurance technical reserves, this is considered a key audit matter.

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

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

Key Audit Matters (continued)

c) Insurance and Reinsurance Technical Reserves (continued)

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

In addition, we have performed test of controls in place, checked the design and the operating effectiveness of key controls and assessed the validity of management's liability adequacy testing are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessing the accuracy of the historical data used, and evaluating the projected cashflows and assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features. Further, we assessed the adequacy of the disclosures relating to these reserves given in Note 12 to the consolidated financial statements.

Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM AL SAMDAN
LICENCE NO. 208-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

1 March 2022
Kuwait

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2021

	Notes	*2021 KD 000's*	*2020 KD 000's*
Revenue			
Premiums written		**548,498**	444,437
Reinsurance premiums ceded		**(280,648)**	(251,950)
Net premiums written		**267,850**	192,487
Movement in unearned premiums reserve		**21,362**	642
Movement in life mathematical reserve		**(5,353)**	(6,096)
Net premiums earned		**283,859**	187,033
Commission received on ceded reinsurance		**20,810**	19,116
Policy issuance fees		**2,956**	2,560
Net investment income from designated life insurance	3	**3,026**	2,126
		310,651	210,835
Expenses			
Claims incurred	12	**194,464**	128,822
Commission and discounts		**35,959**	22,481
Maturity and cancellations of life insurance policies		**4,118**	2,622
General and administrative expenses		**34,509**	28,955
		269,050	182,880
Net underwriting income		**41,601**	27,955
Gain on remeasurement of a former associate from a step acquisition	6	**25,787**	-
Impairment of goodwill	8	**(3,933)**	-
Net investment income	3	**24,179**	12,773
Finance costs		**(2,566)**	(2,558)
Share of results from associates	7	**427**	(248)
Other income		**6,782**	2,680
		92,277	40,602
Other charges:			
Unallocated general and administrative expenses		**(30,665)**	(16,342)
PROFIT FOR THE YEAR BEFORE TAXATION AND DIRECTORS' REMUNERATION		**61,612**	24,260
Contribution to KFAS		**(293)**	(301)
NLST		**(522)**	(313)
Zakat		**(161)**	(131)
Taxation from foreign subsidiaries		**(5,956)**	(3,236)
Directors' remuneration		**(185)**	(185)
PROFIT FOR THE YEAR		**54,495**	20,094
Attributable to:			
Equity holders of the Parent Company		**50,231**	16,337
Non-controlling interests		**4,264**	3,757
		54,495	20,094
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**223.68 fils**	79.94 fils

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	***2021 KD 000's***	*2020 KD 000's*
Profit for the year		**54,495**	20,094
Other comprehensive (loss) income for the year			
Other comprehensive loss to be reclassified to consolidated statement of income in subsequent periods:			
- Financial assets available for sale:			
Net unrealised (loss) gain on investments available for sale		**(1,582)**	3,739
Net realised gain transferred to consolidated statement of income on sale of investments available for sale	3	**(4,958)**	(2,941)
Transferred to consolidated statement of income on impairment of investment available for sale	3	**647**	1,660
		(5,893)	2,458
- Share of other comprehensive (loss) income from associates	7	**(93)**	64
- Exchange differences on translation of foreign operations		**(9,807)**	(7,987)
		(15,793)	(5,465)
Other comprehensive income that will not to be reclassified subsequently to consolidated statement of income:			
Revaluation of property and equipment	5	**113**	3,751
Other comprehensive loss for the year		**(15,680)**	(1,714)
Total comprehensive income for the year		**38,815**	18,380
Attributable to:			
Equity holders of the Parent Company		**37,323**	15,677
Non-controlling interests		**1,492**	2,703
		38,815	18,380

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021 KD 000's**	2020 KD 000's
ASSETS			
Property and equipment	5	**47,497**	36,948
Right-of-use assets		**1,247**	1,276
Investment in associates	7	**43,297**	43,451
Goodwill	8	**44,047**	15,104
Financial instruments:			
Investments held to maturity		**51,221**	38,347
Debt securities (loans)		**10,435**	15,324
Investments available for sale	9	**261,749**	49,022
Investments carried at fair value through profit or loss	10	**48,469**	31,976
Loans secured by life insurance policies		**499**	866
Premiums and insurance balances receivable	11	**227,692**	132,222
Reinsurance recoverable on outstanding claims	12	**216,638**	282,416
Investment properties		**10,493**	8,258
Other assets	13	**87,263**	31,179
Long term deposits	14	**74,373**	42,982
Cash and cash equivalents	15	**231,601**	71,338
TOTAL ASSETS		**1.356.521**	800.709
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**28,457**	18,704
Share premium	16	**50,947**	3,600
Treasury shares	16	**(429)**	(429)
Treasury shares reserve		**3,099**	3,099
Statutory reserve	16	**23,843**	18,704
Voluntary reserve	16	**34,424**	29,285
Effect of changes in ownership interest of Subsidiaries		**(2,837)**	(2,837)
Other reserve		**(481)**	-
Cumulative changes in fair value reserve		**1,135**	3,588
Foreign currency translation adjustments		**(35,441)**	(25,226)
Revaluation reserve		**14,667**	14,907
Retained earnings		**73,441**	54,008
Equity attributable to equity holders of the Parent Company		**190,825**	117,403
Subordinated perpetual Tier 2 bonds	17	**60,000**	-
Non-controlling interests		**66,471**	27,928
Total equity		**317,296**	145,331
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve (gross)	12	**432,931**	371,219
Unearned premiums reserve (net)	12	**167,596**	56,154
Life mathematical reserve (net)	12	**56,161**	33,044
Incurred but not reported reserve (net)	12	**2,594**	933
Total liabilities arising from insurance contracts		**659,282**	461,350
Premiums received in advance		**3,216**	3,191
Insurance payable	18	**152,734**	127,200
Other liabilities	19	**147,194**	62,331
Lease liabilities		**1,315**	1,306
Long term loans	20	**75,484**	-
TOTAL LIABILITIES		**1,039,225**	655,378
TOTAL EQUITY AND LIABILITIES		**1,356,521**	800,709

Farqad A. Al-Sane
Chairman

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Parent Company															
	Share capital KD 000's	*Share premium KD 000's*	*Treasury shares KD 000's*	*Treasury share reserve KD 000's*	*Statutory reserve KD 000's*	*Voluntary reserve KD 000's*	*Effect of changes in ownership interest of Subsidiaries KD 000's*	*Other reserve KD 000's*	*Cumulative changes in fair value reserve KD 000's*	*Foreign currency translation adjustments KD 000's*	*Revaluation reserve KD 000's*	*Retained earnings KD 000's*	*Subtotal KD 000's*	*Subordinated perpetual tier 2 bonds KD 000's*	*Non-controlling interests KD 000's*	*Total equity KD 000's*
As at 1 January 2021	18,704	3,600	(429)	3,099	18,704	29,285	(2,837)	-	3,588	(25,226)	14,907	54,008	117,403	-	27,928	145,331
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	50,231	50,231	-	4,264	54,495
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	(2,453)	(10,215)	(240)	-	(12,908)	-	(2,772)	(15,680)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(2,453)	(10,215)	(240)	50,231	37,323	-	1,492	38,815
Issue of right shares (Note 16)	9,753	47,347	-	-	-	-	-	-	-	-	-	-	57,100	-	-	57,100
Issue of subordinated perpetual tier 2 bonds (Note 17)	-	-	-	-	-	-	-	-	-	-	-	-	-	60,000	-	60,000
Interest on subordinated perpetual tier 2 bonds	-	-	-	-	-	-	-	-	-	-	-	(374)	(374)	-	-	(374)
Movement in other reserve	-	-	-	-	-	-	-	(481)	-	-	-	-	(481)	-	15	(466)
Non- controlling interest arising from acquisition of subsidiaries (Note 6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,153	37,153
Capital increase in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	812	812
Transfer to reserves	-	-	-	-	5,139	5,139	-	-	-	-	-	(10,278)	-	-	-	-
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	-	-	(20,146)	(20,146)	-	-	(20,146)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(929)	(929)
As at 31 December 2021	**28,457**	**50,947**	**(429)**	**3,099**	**23,843**	**34,424**	**(2,837)**	**(481)**	**1,135**	**(35,441)**	**14,667**	**73,441**	**190,825**	**60,000**	**66,471**	**317,296**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

	Attributable to equity holders of the Parent Company													
	Share capital KD 000'S	*Share premium KD 000'S*	*Treasury shares KD 000'S*	*Treasury share reserve KD 000'S*	*Statutory reserve KD 000'S*	*Voluntary reserve KD 000'S*	*Other reserve KD 000'S*	*Cumulative changes in fair values KD 000'S*	*Foreign currency translation adjustments KD 000'S*	*Revaluation reserve KD 000'S*	*Retained earnings KD 000'S*	*Sub-total KD 000'S*	*Non-controlling interests KD 000'S*	*Total equity KD 000'S*
As at 1 January 2020	18,704	3,600	(429)	3,099	18,704	27,558	(2,837)	1,529	(19,841)	12,241	46,474	108,802	26,044	134,846
Profit for the year	-	-	-	-	-	-	-	-	-	-	16,337	16,337	3,757	20,094
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	2,059	(5,385)	2,666	-	(660)	(1,054)	(1,714)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	2,059	(5,385)	2,666	16,337	15,677	2,703	18,380
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	-	(7,076)	(7,076)	-	(7,076)
Transfer to voluntary reserve	-	-	-	-	-	1,727	-	-	-	-	(1,727)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(819)	(819)
As at 31 December 2020	18,704	3,600	(429)	3,099	18,704	29,285	(2,837)	3,588	(25,226)	14,907	54,008	117,403	27,928	145,331

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*2021 KD 000's*	*2020 KD 000's*
OPERATING ACTIVITIES			
Profit before taxation and directors' remuneration		**61,612**	24,260
Adjustments for:			
Depreciation of property and equipment and right-of-use assets		**2,135**	3,059
Net provision for doubtful debts	11	**11,811**	1,939
Net investment income	3	**(27,511)**	(15,576)
Impairment losses of financial assets available for sale	3	**647**	1,660
Gain on remeasurement of a former associate from a step acquisition	6	**(25,787)**	-
Impairment of goodwill	8	**3,933**	-
Share of results from associates	7	**(427)**	248
Change in fair value of investment properties	3	**51**	(868)
Finance costs		**2,566**	2,558
		29,030	17,280
Changes in operating assets and liabilities:			
Investments carried at fair value through profit or loss		**(9,803)**	(4,999)
Premiums and insurance balances receivable		**(19,448)**	10,412
Reinsurance recoverable on outstanding claims		**95,912**	(35,095)
Other assets		**(21,134)**	560
Liabilities arising from insurance contracts		**(116,043)**	52,948
Premiums received in advance		**(9,837)**	(2,560)
Insurance payable		**4,305**	1,481
Other liabilities		**38,007**	9,484
		(9,011)	47,572
KFAS Paid		**(301)**	(87)
NLST Paid		**(313)**	(266)
Zakat paid		**(131)**	-
Director's remuneration paid		**(185)**	(185)
Net cash flows (used in) from operating activities		**(9,941)**	47,034
INVESTING ACTIVITIES			
Acquisition of a subsidiaries, net of cash acquired	6	**(966)**	-
Purchase of property and equipment	5	**(2,920)**	(2,800)
Proceeds from sale of property and equipment		**2,095**	1,091
Additions on investment properties		**(210)**	(1,355)
Additions on investment in associates	7	**(36)**	(791)
Dividend received from associates	7	**524**	594
Movement in investment held to maturity		**(1,744)**	(8,659)
Movement in debt securities (loans)		**4,889**	(1,720)
Net movement on investments available for sale		**(5,388)**	(626)
Movement in loans secured by life insurance policies		**367**	238
Advance towards acquisition of investment		**-**	(506)
Net movement in long term deposits		**(3,156)**	(3,701)
Interest income received		**11,705**	8,431
Dividend income received		**1,280**	780
Net cash flows from (used in) investing activities		**6,440**	(9,024)
FINANCING ACTIVITIES			
Proceeds from issuance of subordinated perpetual Tier 2 bonds	17	**60,000**	-
Proceeds from issuance of right shares	16	**57,100**	-
Term loans obtained		**125,435**	-
Term loans paid		**(50,093)**	(35,334)
Payment of lease liability		**(439)**	(938)
Dividends paid	16	**(20,146)**	(7,076)
Dividends to non-controlling interests		**(929)**	(819)
Finance costs paid		**(2,566)**	(2,474)
Capital increase in subsidiaries		**812**	-
Net cash flows from (used in) financing activities		**169,174**	(46,641)
Foreign currency translation adjustments		**(5,410)**	(5,958)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**160,263**	(14,589)
Cash and cash equivalents at beginning of the year		**71,338**	85,927
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	**231,601**	71,338

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

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 1 March 2022. The ordinary general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

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

The Parent Company is 46.32% (2020: 45.99%) owned by Kuwait Projects Company Holding K.S.C. and 43.69% (2020: 43.43%) by Fairfax Middle East Limited Company.

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

The Group employs 3,831 employees as at 31 December 2021 (2020: 2,377 employees).

The New Insurance Law issued on 1 September 2019 by Decree Law No. 125 of 2019 (the "Insurance Regulatory Law"), cancelled the Insurance Companies Law No. 24 of 1961. The Executive Regulations of the new amended law issued on 11 March 2021 and was published in the official Gazette on 21March 2021. As per article two of the executive regulations, the companies have one year from the date of publishing the executive regulations to comply with the new amended law.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost convention except for the measurement at fair value of investments carried at fair value through profit or loss, investments available for sale, investment properties and land and buildings.

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021.Subsidiaries are investee that the Group has control over.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

2.2 BASIS OF CONSOLIDATION (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

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

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

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of risk component.

These amendments had no impact on the consolidated financial statement of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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

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

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

During 2017, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2021. The Group intends to apply the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

IFRS 9 Financial Instruments

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

During 2017, the Group performed an impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Group expects no significant impact on its consolidated statement of financial position, consolidated statement of income or consolidated statement of comprehensive income except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023 applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

Key requirements of IFRS 9:

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

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

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

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 (continued)

a) Classification and measurement

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

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

b) Impairment

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

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

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

Hedge accounting

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

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

c) Disclosure

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

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

IFRS 17 Insurance Contracts

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

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

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

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

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

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

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financials position or performance of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Product classification

Insurance contracts

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

Investment contracts

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

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

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis except certain long-term policies (construction and engineering) and marine cargo policies for which,

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo.
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy; and

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Commissions earned and paid

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

Policy issuance fees

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

Interest income

Interest income is recognised using the effective interest rate method.

Dividend income

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

Rental income

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

Realised gains and losses

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

Claims

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

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

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

Policy acquisition costs

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, considering the product classification of the reinsured business.

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

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

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

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

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

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

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

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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

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

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

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

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

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised software development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Amortization is provided on a straight-line basis over the useful lives of the following classes of assets and is recognised in the consolidated statement of income:

Computer software	4	Years
license for life insurance business	Indefinite life	

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Goodwill
Accounting policy relating to goodwill is documented in the accounting policy “Business combinations and goodwill”.

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

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.
The Group's financial assets include investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans and other receivables time deposits and cash and cash equivalents.

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Subsequent measurement (continued)

Loans and other receivables (continued)
The effective interest rate amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

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

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

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

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

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

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

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

Short- and long-term deposits
Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition. Long-term deposits represent time deposits with maturity periods of more than one year from the date of placement.

De-recognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
a) The rights to receive cash flows from the asset have expired;
b) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
c) The Group has transferred its rights to receive cash flows from the asset and either has transferred all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

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

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

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

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

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

Initial recognition and measurement
Financial liabilities are initially recognised at fair value.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

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

Fair values
For those assets and liabilities carried at fair value, the Group measures fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date.

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

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

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

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Unearned premium reserve
The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income, except for certain:
• Last three months premium at a reporting date is considered as unearned in respect of marine cargo.
• Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

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

Incurred but not reported reserve
The incurred but not reported reserve includes amounts reserved for claims incurred but not reported at the financial position date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

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

Post-employment benefits
One of the Group's subsidiary (Axa Cooperative Insurance Company, A Saudi Joint Stock Company) operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in the consolidated statement of income and while unwinding of the liability at discount rates used are recorded in the consolidated statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the consolidated statement of comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-employment benefits (continued)
Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in the consolidated statement of comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions (Continued)

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

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

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Non-life insurance contract liabilities (Insurance technical reserves)
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Group’s past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

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

Life insurance contract liabilities (Life mathematical reserve)
The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

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

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

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

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

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

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

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

3. NET INVESTMENT INCOME

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

	Debt securities (loans) KD 000's	***Investments carried at fair value through profit or loss KD 000's***	***Time and call deposits KD 000's***	***2021 Total KD 000's***	*2020 Total KD 000's*
Realised gain	**-**	**1,921**	**-**	**1,921**	942
Unrealised gain	**-**	**750**	**-**	**750**	475
Dividend income	**-**	**47**	**-**	**47**	52
Interest income	**273**	**-**	**81**	**354**	570
Other investment income	**-**	**4**	**-**	**4**	117
Total investment income	**273**	**2,722**	**81**	**3,076**	2,156
Financial charges and other expenses	**-**	**(50)**	**-**	**(50)**	(30)
Total investment expense	**-**	**(50)**	**-**	**(50)**	(30)
Net investment income	**273**	**2,672**	**81**	**3,026**	2,126

3. NET INVESTMENT INCOME (continued)

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

	Investments held to maturity KD 000's	*Investments available for sale KD 000's*	*Investments carried at fair value through profit or loss KD 000's*	*Investment properties KD 000's*	*Time and call deposits KD 000's*	*Other investment income KD 000's*	*2021 Total KD 000's*	*2020 Total KD 000's*
Realised gain	-	4,958	138	-	-	-	5,096	3,023
Unrealised gain (loss)	-	-	1,479	-	-	-	1,479	(852)
Dividend income	-	1,233	-	-	-	-	1,233	728
Interest income	7,400	-	-	-	3,785	166	11,351	8,135
Rental income	-	-	-	392	-	-	392	115
Change in fair value of investment properties	-	-	-	(51)	-	-	(51)	868
Other investment income	-	-	-	-	-	7,535	7,535	5,392
Total investment income	7,400	6,191	1,617	341	3,785	7,701	27,035	17,409
Impairment loss (Note 9)	-	(647)	-	-	-	-	(647)	(1,660)
Other investment expenses	-	(586)	-	-	-	(1,623)	(2,209)	(2,976)
Total investment expense	-	(1,233)	-	-	-	(1,623)	(2,856)	(4,636)
Net investment income (loss)	7,400	4,958	1,617	341	3,785	6,078	24,179	12,773

4. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

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

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

	2021	*2020*
Profit for the year attributable to equity holders of the Parent Company (KD 000's)	**50,231**	16,337
	Shares	*Shares*
Weighted average number of shares outstanding during the year, net of treasury shares	**224,571,232**	204,442,806
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**223.68 fils**	79.94 fils

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

*Basic and diluted earnings per share for the year ended 31 December 2020 was 85.35 fils, before retroactive adjustment to the number of shares following the rights issue (Note 16.c).

5. PROPERTY AND EQUIPMENT

	Land KD 000's	*Buildings KD 000's*	*Leasehold improvements KD 000's*	*Computers KD 000's*	*Furniture and fixtures KD 000's*	*Motor vehicles KD 000's*	*Total KD 000's*
Cost:							
As at 1 January 2021	**16,117**	**22,306**	**2,267**	**9,228**	**5,283**	**876**	**56,077**
Arising from acquisition of subsidiaries	**2,060**	**7,157**	**4**	**1,547**	**1,379**	**26**	**12,173**
Additions	**327**	**117**	**224**	**1,335**	**767**	**150**	**2,920**
Disposals	**-**	**(324)**	**(196)**	**(31)**	**(102)**	**(102)**	**(755)**
Revaluation adjustment	**273**	**(160)**	**-**	**-**	**-**	**-**	**113**
Exchange differences	**(611)**	**(1,421)**	**(251)**	**(760)**	**(199)**	**(90)**	**(3,332)**
As at 31 December 2021	**18,166**	**27,675**	**2,048**	**11,319**	**7,128**	**860**	**67,196**
Accumulated depreciation:							
As at 1 January 2021	**-**	**4,446**	**2,050**	**7,836**	**4,261**	**536**	**19,129**
Charge for the year	**-**	**531**	**188**	**825**	**421**	**141**	**2,106**
Related to disposals	**-**	**(87)**	**(144)**	**(42)**	**(112)**	**(104)**	**(489)**
Exchange differences	**-**	**(246)**	**(115)**	**(559)**	**(101)**	**(26)**	**(1,047)**
As at 31 December 2021	**-**	**4,644**	**1,979**	**8,060**	**4,469**	**547**	**19,699**
Net carrying amount:							
As at 31 December 2021	**18,166**	**23,031**	**69**	**3,259**	**2,659**	**313**	**47,497**

Certain buildings of the Group with net carrying amount of KD 765,000 (2020: KD 785,000) have been mortgaged to the Ministry of Commerce and Industry.

5. PROPERTY AND EQUIPMENT (continued)

	Land *KD 000's*	*Buildings* *KD 000's*	*Leasehold improvements* *KD 000's*	*Computers* *KD 000's*	*Furniture and fixtures* *KD 000's*	*Motor vehicles* *KD 000's*	*Total* *KD 000's*
Cost:							
As at 1 January 2020	15,914	20,659	2,423	9,585	5,194	889	54,664
Additions	751	481	52	1,006	415	95	2,800
Disposals	(398)	(1,179)	(23)	(1,015)	(272)	(65)	(2,952)
Revaluation adjustment	563	3,188	-	-	-	-	3,751
Exchange differences	(713)	(843)	(185)	(348)	(54)	(43)	(2,186)
As at 31 December 2020	16,117	22,306	2,267	9,228	5,283	876	56,077
Accumulated depreciation:							
As at 1 January 2020	-	4,460	1,658	8,479	4,325	527	19,449
Charge for the year	-	607	482	668	251	98	2,106
On disposals	-	(513)	(2)	(1,011)	(270)	(65)	(1,861)
Exchange differences	-	(108)	(88)	(300)	(45)	(24)	(565)
As at 31 December 2020	-	4,446	2,050	7,836	4,261	536	19,129
Net carrying amount:							
As at 31 December 2020	16,117	17,860	217	1,392	1,022	340	36,948

6. BUSINESS COMBINATION

6.1 Acquisition of AXA Insurance B.S.C.C

a) On 29 November 2020, the Parent Company has entered into a sale and purchase agreement to acquire 100% equity interest of AXA Insurance B.S.C.C (a Closed Joint Stock Company located at Kingdom of Bahrain) (AXA Gulf) for a total consideration of USD 409,564,005 (equivalent to KD 123,196,853).

The Acquisition date has been determined to be 6 September 2021, when the Parent Company has evidenced its control over AXA Gulf.

The consideration paid and provisional values of identifiable assets and liabilities assumed were initially determined as stated in the below table:

	Provisional values KD 000's
Assets	
Property and equipment	**9,426**
Investment properties	**1,626**
Investments in associates	**24,286**
Right-of-use assets	**759**
Reinsurance recoverable on outstanding claims	**13,638**
Premiums and insurance balances receivable	**59,061**
Other assets	**20,392**
Investments available for sale	**114,251**
Investments carried at fair value through profit or loss	**6,690**
Time deposits	**14,543**
Cash and cash equivalents	**77,705**
	342,377
Liabilities	
Outstanding claims reserve (gross)	**72,580**
Unearned premiums reserve (net)	**82,866**
Life mathematical reserve (net)	**23,918**
Incurred but not reported reserve (net)	**1,473**
Premiums received in advance	**9,862**
Insurance payable	**16,521**
Other liabilities	**13,091**
	220,311
Net assets acquired	**122,066**
Purchase consideration transferred	**123,197**
Provisional Goodwill (Note 8)	**1,131**

	Cash flow on acquisition
Cash paid	**123,197**
Less: net cash acquired in subsidiary acquired	**(77,705)**
Net cash outflow	**45,492**

6. BUSINESS COMBINATION (continued)

6.2 Step acquisition of AXA Cooperative Insurance Company

b) On 6 September 2021, AXA Insurance B.S.C.C (a Closed Joint Stock Company located at Kingdom of Bahrain) (AXA Gulf) had acquired additional 18% equity interest in AXA Cooperative Insurance Company (a Saudi Joint Stock Company) (AXA KSA) which was previously held as an investment in associate with an effective equity holding of 32%, resulting in total effective equity holding of 50% in AXA KSA.

As this transaction met the criteria of IFRS 3 business combination for the business combination achieved in stages, AXA Gulf reclassified its investment in AXA KSA to investment in subsidiary since it obtained control, and consolidated AXA KSA from the effective date of control. AXA Gulf has elected to measure the non-controlling interest in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets. The consideration paid and provisional values of identifiable assets and liabilities assumed were initially determined as stated in the table below:

	Provisional values KD 000's
Assets	
Property and equipment	**2,404**
Right-of-use assets	**1,753**
Reinsurance recoverable on outstanding claims	**16,496**
Premiums and insurance balances receivable	**28,772**
Other assets	**14,558**
Investment held to maturity	**11,130**
Investments available for sale	**93,735**
Time deposits	**13,692**
Cash and cash equivalents	**62,039**
	244,579
Liabilities	
Outstanding claims reserve (gross)	**86,083**
Unearned premiums reserve (net)	**47,055**
Insurance payable	**4,708**
Other liabilities	**34,926**
	172,772
Net assets acquired	**71,807**
Less: Non-controlling interest	**(35,903)**
Proportionate share of fair value of the acquirer's previously held interest*	**(49,980)**
Consideration paid	**(17,513)**
Provisional Goodwill (Note 8)	**31,589**

	Cash flow on acquisition
Consideration paid by cash	**(17,513)**
Less: net cash acquired in subsidiary acquired	**62,039**
Net cash inflow	**(44,526)**

*Upon additional acquisition of 18% stake and obtaining control, the Group has fair valued its previously held interest in AXA KSA which resulted in a gain with an amount of USD 85,500,203 (equivalent to KD 25,786,861) that has been recorded in the consolidated statement of income.

6. BUSINESS COMBINATION (continued)

6.3 Acquisition of Arab Life Company

On 23 September 2021, Arab Orient Insurance Company J.S.C ("the subsidiary") acquired 74.75% equity interest in Arab Life Company for a total consideration of JD 4,919,301 (equivalent to: KD 1,810,344). The subsidiary has completed the finalization of the purchase price allocation (PPA). Based on PPA, an intangible asset representing license for life insurance business amounting of JD 5,199,149 (equivalent to: KD 2,216,423) has been recorded in the consolidated statement of financial position as other assets (Note 13).

6.4 Acquisition of Gulf Takaful Insurance Company

During the year ended 31 December 2021, Gulf Insurance and Re-insurance Company K.S.C. (Closed) ("the subsidiary") acquired 66.61% equity interest in Gulf Takaful Insurance Company – K.S.C. (Closed) for a total consideration of KD 1,443,634. As a result, gain on bargain purchase amounting KD 946,937 has been recorded in the consolidated statement of income as other income.

7. INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership*		*Principal Activity*
		2021	*2020*	
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj")	Kingdom of Saudi Arabia	**28.5%**	28.5%	Insurance
Al-Argan International Real Estate Company K.S.C.P. (Al-Argan)	Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC")	Algeria	**42.5**	42.5%	Insurance
Health 360 Ancillary Service Company W.L.L. ("H-360")	Bahrain	**41%**	41%	Third party administration - Claims

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

	2021	*2020*
	KD 000's	*KD 000's*
Carrying value at 1 January	**43,451**	43,437
Additions	**36**	791
Dividends received	**(524)**	(594)
Share of results of associates	**427**	(248)
Share of other comprehensive income (loss) of associates	**186**	(106)
Foreign currency translation adjustments	**(279)**	171
Carrying value at 31 December	**43,297**	43,451

7. INVESTMENT IN ASSOCIATES (continued)

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

	Al-Buruj KD 000's	*Al-Argan KD 000's*	*Others KD 000's*	***2021 KD 000's***	*2020 KD 000's*
Share of associates' financial position:					
Assets	19,379	47,065	47,263	**113,707**	110,080
Liabilities	(9,104)	(31,293)	(32,968)	**(73,365)**	(69,584)
Net assets	10,275	15,772	14,295	**40,342**	40,496
Goodwill	995	-	1,960	**2,955**	2,955
Net assets	11,270	15,772	16,255	**43,297**	43,451
Share of associates' revenues and net profit:					
Revenues	2,710	463	2,343	**5,516**	9,281
Net profit	151	(777)	1,053	**427**	(248)

8. GOODWILL

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

	2021 KD 000's	*2020 KD 000's*
Arab Misr Insurance Group Company S.A.E.	**308**	308
Bahrain Kuwaiti Insurance Company B.S.C.	**2,626**	2,626
Arab Orient Insurance Company J.S.C.	**5,292**	5,292
Dar Al-Salam Insurance Company	**604**	604
Egypt Life Takaful Insurance Company S.A.E.	**168**	168
L'Algerienne Des Assurance (2A)*	**-**	3,933
AXA Insurance Gulf B.S.C.C (provisional goodwill) (Note 6.1)	**1,131**	-
AXA Cooperative Insurance Company (provisional goodwill) (Note 6.2)	**31,745**	-
Gulf Sigorta A.Ş.	**2,173**	2,173
	44,047	15,104

Movement on goodwill during the year is as follows:

	2021 KD 000's	*2020 KD 000's*
As at I January	**15,104**	15,104
Addition: (Note 6.1) (Note 6.2)	**32,876**	-
Impairment	**(3,933)**	-
As at 31 December	**44,047**	15,104

The Group performed its annual impairment test in December 2021. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2021, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segments. Based on its assessment the management concluded that no impairment loss is required to be recognized during the current year, except for goodwill impairment of L'Algerienne Des Assurance (2a) with an amount of KD 3,933 thousand.

8. GOODWILL (continued)

L'Algerienne Des Assurance (2a)
*During the current year, the Parent Company has tested the goodwill for impairment using the value in use (VIU) approach. For the purpose of VIU, the cash flow projections approved by senior management covered a five-year period. The average discount rate applied to cash flow projections over a five-year period was 13.3%. Cash flows beyond the five-year period are extrapolated using a projected growth rate of 2%. Based on its assessment, the management has concluded that an impairment loss of KD 3,933 thousand to be recognized for the year ended 31 December 2021.

The calculation of value in use is sensitive to the following assumptions:
- Revenue forecast,
- Discount rate
- Projected growth rates used to extrapolate cash flows beyond the budget period; and

Revenue forecast
Revenue forecast is based on the renewal and extension of existing insurance contracts.

Discount rates
Discount rate is calculated by using the Weighted Average Cost of Capital ("WACC"). The inputs to the calculation of the discount rate reflects current market assessment of the time value of money and risks specific to the CGU and the country of the CGU.

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

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

9. INVESTMENTS AVAILABLE FOR SALE

	2021 ***KD 000's***	*2020* *KD 000's*
Quoted equity securities	**25,654**	15,005
Unquoted equity securities	**8,242**	5,974
Quoted managed funds	**5,906**	207
Quoted bonds	**221,298**	27,465
Unquoted managed funds	**649**	371
	261,749	49,022

Impairment loss of KD 647 thousand (2020: KD 1,660 thousand) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

10. INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 ***KD 000's***	*2020* *KD 000's*
Held for trading:		
Quoted securities	**7,158**	4,162
Designated upon initial recognition:		
Managed funds of quoted securities	**41,311**	27,814
	48,469	31,976

11. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2021 ***KD 000's***	*2020* *KD 000's*
Policyholders' accounts receivable		
Premiums' receivable	**227,777**	133,155
Insured debts receivable	**1,629**	2,447
	229,406	135,602
Provision for doubtful debts	**(20,368)**	(13,319)
Net policyholders' accounts receivable	**209,038**	122,283

	2021 ***KD 000's***	*2020* *KD 000's*
Insurance and reinsurers' accounts receivable		
Reinsures' receivables	**23,969**	12,729
Provision for doubtful debts	**(5,315)**	(2,790)
Net insurance and reinsurers' accounts receivable	**18,654**	9,939
Total premiums and insurance balances receivable	**227,692**	132,222

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

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

	2021 ***KD 000's***	*2020* *KD 000's*
As at 1 January	**13,319**	11,100
Charge for the year	**9,277**	2,374
Amounts written off	**(1,911)**	(40)
Foreign currency translation adjustments	**(317)**	(115)
As at 31 December	**20,368**	13,319

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

	2021 ***KD 000's***	*2020* *KD 000's*
As at 1 January	**2,790**	3,222
Charge (reversal) for the year	**2,534**	(435)
Foreign currency translation adjustments	**(9)**	3
As at 31 December	**5,315**	2,790

12. LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

2021	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Total KD 000's*
Outstanding claims reserve:								
Gross balance at beginning of the year	**11,296**	**42,842**	**22,407**	**183,544**	**39,532**	**15,213**	**56,385**	**371,219**
Reinsurance recoverable on outstanding claims	**(9,570)**	**(6,815)**	**(19,215)**	**(180,087)**	**(31,212)**	**(5,520)**	**(29,997)**	**(282,416)**
Net balance at beginning of the year	**1,726**	**36,027**	**3,192**	**3,457**	**8,320**	**9,693**	**26,388**	**88,803**
Arising from acquisition of subsidiaries	**12,588**	**48,827**	**17,979**	**9,083**	**8,255**	**4,240**	**27,784**	**128,756**
Foreign currency translation difference	**(389)**	**285**	**(507)**	**(464)**	**(2,780)**	**34**	**377**	**(3,444)**
Incurred during the year (net)	**1,107**	**56,378**	**3,647**	**3,588**	**2,864**	**7,070**	**119,810**	**194,464**
Paid during the year (net)	**(1,254)**	**(56,859)**	**(2,847)**	**(3,605)**	**(1,890)**	**(8,110)**	**(117,721)**	**(192,286)**
Net balance at end of the year	**13,778**	**84,658**	**21,464**	**12,059**	**14,769**	**12,927**	**56,638**	**216,293**
Represented as:								
Gross balance at end of the year	**24,324**	**92,344**	**52,245**	**111,773**	**41,267**	**23,267**	**87,711**	**432,931**
Reinsurance recoverable	**(10,546)**	**(7,686)**	**(30,781)**	**(99,714)**	**(26,498)**	**(10,340)**	**(31,073)**	**(216,638)**
Net balance at end of the year	**13,778**	**84,658**	**21,464**	**12,059**	**14,769**	**12,927**	**56,638**	**216,293**
Unearned premiums reserve (net)	**1,634**	**59,516**	**10,376**	**12,168**	**7,693**	**14,514**	**61,695**	**167,596**
Life mathematical reserve (net)	**-**	**-**	**-**	**-**	**-**	**55,849**	**312**	**56,161**
Incurred but not reported reserve (net)	**49**	**782**	**921**	**91**	**121**	**3**	**627**	**2,594**

12. LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

2020	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Total KD 000's*
Outstanding claims reserve:								
Gross balance at beginning of the year	9,264	40,012	17,458	162,515	34,839	12,456	43,391	319,935
Reinsurance recoverable on outstanding claims	(7,942)	(7,460)	(15,406)	(159,693)	(26,984)	(3,886)	(25,950)	(247,321)
Net balance at beginning of the year	1,322	32,552	2,052	2,822	7,855	8,570	17,441	72,614
Foreign currency translation difference	(348)	(1,234)	(223)	120	(976)	10	103	(2,548)
Incurred during the year (net)	929	38,606	3,193	4,442	2,971	5,514	73,167	128,822
Paid during the year (net)	(177)	(33,897)	(1,830)	(3,926)	(1,531)	(4,401)	(64,323)	(110,085)
Net balance at end of the year	1,726	36,027	3,192	3,458	8,319	9,693	26,388	88,803
Represented in:								
Gross balance at end of the year	11,296	42,842	22,407	183,545	39,531	15,213	56,385	371,219
Reinsurance recoverable	(9,570)	(6,815)	(19,215)	(180,087)	(31,212)	(5,520)	(29,997)	(282,416)
Net balance at end of the year	1,726	36,027	3,192	3,458	8,319	9,693	26,388	88,803
Unearned premiums reserve (net)	745	23,252	3,187	8,752	5,084	1,390	13,744	56,154
Life mathematical reserve (net)	-	-	-	-	-	32,752	292	33,044
Incurred but not reported reserve (net)	9	164	733	24	3	-	-	933

13. OTHER ASSETS

	2021 ***KD 000's***	*2020* *KD 000's*
Accrued interest income	**5,788**	5,968
Refundable claims	**5,103**	1,069
Deferred acquisition cost (DAC)	**18,614**	3,141
Qard Hassan (Note 28)	**22,788**	-
Intangible assets (Note 6.3)	**2,216**	-
Prepaid expenses and others	**32,754**	21,001
	87,263	31,179

14. LONG TERM DEPOSITS

Term deposits of KD 74,373 thousand (2020: KD 42,982 thousand) are placed with local and foreign banks and carry an average effective interest rate ranging from 2% to 7% (2020: from 2% to 7.5%) per annum. Term deposits mature after one year.

15. CASH AND CASH EQUIVALENTS

	2021 ***KD 000's***	*2020* *KD 000's*
Cash on hand and at banks	**51,066**	22,301
Short term deposits and call accounts	**180,535**	49,037
	231,601	71,338

16. EQUITY AND RESERVES

a) Share capital

The authorised share capital of the Parent Company comprises of 350,000,000 shares (31 December 2020: 187,039,125) of 100 fils each. The increase in the authorised share capital was approved by the Extraordinary General Assembly meeting of the shareholders held on 7 October 2020. The issued and fully paid-up share capital consists of 284,572,458 shares (31 December 2020: 187,039,125) of 100 fils each.

b) Share premium

The share premium account is not available for distribution.

c) Issuance of Rights shares

On 14 January 2021, the Parent Company made a rights issue to its shareholders at KD 0.500 per share made up of KD 0.100 share capital and KD 0.400 share premium. A total of 14,200,000 shares were issued resulting in an increase in share capital by KD 1,420,000 and an increase in the share premium account by KD 5,680,000. This amendment has been notarized in the commercial register dated 7 February 2021.

On 2 September 2021, the Parent Company made a rights issue to its shareholders at KD 0.600 per share made up of KD 0.100 share capital and KD 0.500 share premium. A total of 83,333,333 shares were issued resulting in an increase in share capital by KD 8,333,333 and an increase in the share premium account by KD 41,666,667. This amendment has been notarized in the commercial register dated 14 September 2021.

d) Cash dividends and directors' remuneration

The extraordinary Annual General Assembly of the Parent Company's shareholders held on 21 November 2021 approved to amend article No. (56) of the article of association by granting the board of directors the authorization for proposing and approving distribution of either cash or in-kind dividend on annual and semi-annual basis for the year ended 31 December 2021. At the Board of Directors meeting held on 22 November 2021, the directors of the Parent Company proposed and approved distribution of a cash dividends amounting to KD 20,146 thousand for nine months period ended 30 September 2021, which represents 71% of paid-up share capital.

16. EQUITY AND RESERVES (continued)

d) Cash dividends and directors' remuneration (continued)
At the Board of Directors meeting held on 1 March 2022, the directors of the Parent Company proposed distribution of a cash dividend of KD 9,931 thousand for the year ended 31 December 2021 which represents 35% of paid-up share capital. The proposed dividend is subject to the approval of the shareholders at the General Assembly meeting.

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

Directors' remuneration of KD 185 thousand for the year ended 31 December 2021 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' remuneration of KD 185 thousand for the year ended 31 December 2020 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 30 March 2021.

e) Treasury shares

	2021	*2020*
Number of shares (share)	**821,396**	821,396
Percentage of issued shares (%)	**0.29%**	0.44%
Market value (KD 000's)	**878**	665

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

f) Statutory reserve
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

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

17. SUBORDINATED PERPETUAL TIER 2 BONDS

On 10 November 2021, the Parent Company issued perpetual subordinated Tier 2 fixed and floating rate bonds composed of KD 30 million at a fixed interest rate of 4.5% and KD 30 million at floating interest rate of 2.75% above Central Bank of Kuwait discount rate (the "Tier 2 bonds").

The Tier 2 bonds constitute direct, unconditional, subordinated obligations of the Parent Company and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 2 bonds do not have a maturity date. They are redeemable by the Parent Company after 5 years.

The Fixed Rate Tier 2 bonds will bear interest from the Issue Date to the First Reset Date at a fixed rate of 4.5% per annum payable semi-annually in arrears on 10 May and 10 November in each year, commencing on 10 May 2022. Interest treated as a deduction from equity.

The Floating rate Tier 2 bonds will bear interest at a rate of 2.75% over the CBK Discount Rate per annum provided however that such sum shall never exceed the prevailing Interest Rate attributable to the Fixed Rate Tranche Bonds at that time plus 1%, payable semi-annually in arrears on 10 May and 10 November in each year, commencing on 10 May 2022. Interest treated as a deduction from equity.

18. INSURANCE PAYABLE

	2021	*2020*
	KD 000's	*KD 000's*
Policyholders and agencies payables	**31,174**	20,406
Insurance and reinsurance payables	**118,396**	104,131
Amounts due to policyholders of Takaful unit (Note 28)	**3,164**	2,663
	152,734	127,200

19. OTHER LIABILITIES

	2021	*2020*
	KD	*KD*
Accrued expenses and others	**92,499**	38,325
Reserve for reinsurance premiums	**2,394**	2,178
KFAS, NLST and Zakat payables	**976**	745
Deferred Acquisition Cost (DAC)	**4,719**	2,172
Due to policyholders	**21,574**	1,682
Taxation from subsidiaries	**15,481**	6,905
Provision for end of service benefits	**9,366**	10,139
Proposed directors' remuneration	**185**	185
	147,194	62,331

20. LONG TERM LOANS

During the year ended 31 December 2021, the Parent Company has obtained two bank loans from local banks to be payable as follows:

a) First loan is payable on annual installments basis for a period of seven years beginning on 14 January 2023 and carry interest rate of 3 months LIBOR +1.25% per annum and the last installments is due on 14 January 2030.

b) Second loan is payable on quarterly installments basis for a period of five years beginning on 31 December 2022 and carry interest rate of 1.25% per annum over Central Bank of Kuwait discount rate and the last installments is due on 31 December 2027.

21. SEGMENT INFORMATION

a) Segmental consolidated statement of income

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

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

21. SEGMENT INFORMATION (continued)

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

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result and is measured consistently with the results in the consolidated financial statements.

21. SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
31 December 2021:	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Total general risk insurance KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Total life and medical insurance KD 000's*	*Total KD 000's*
Revenue:										
Premiums written	13,682	77,723	68,013	36,099	34,927	230,444	30,919	287,135	318,054	548,498
Reinsurance premiums ceded	(8,252)	(4,323)	(57,524)	(21,376)	(22,331)	(113,806)	(10,062)	(156,780)	(166,842)	(280,648)
Net premiums written	5,430	73,400	10,489	14,723	12,596	116,638	20,857	130,355	151,212	267,850
Movement in unearned premiums reserve	23	8,452	705	(5,728)	(368)	3,084	1,117	17,161	18,278	21,362
Movement in life mathematical reserve	-	-	-	-	-	-	(5,333)	(20)	(5,353)	(5,353)
Net premiums earned	5,453	81,852	11,194	8,995	12,228	119,722	16,641	147,496	164,137	283,859
Commission received on ceded reinsurance	2,273	767	5,443	3,089	3,469	15,041	1,101	4,668	5,769	20,810
Policy issuance fees	296	454	213	67	264	1,294	60	1,602	1,662	2,956
Net investment income from designated life and medical insurance	-	-	-	-	-	-	2,718	308	3,026	3,026
Total revenue	8,022	83,073	16,850	12,151	15,961	136,057	20,520	154,074	174,594	310,651
Expenses:										
Claims incurred	1,152	56,340	3,683	3,526	2,858	67,559	7,081	119,824	126,905	194,464
Commission and discounts	1,858	10,948	5,092	2,588	4,468	24,954	5,276	5,729	11,005	35,959
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	4,118	-	4,118	4,118
General and administrative expenses	1,932	7,819	4,092	2,612	3,785	20,240	2,154	12,115	14,269	34,509
Total expenses	4,942	75,107	12,867	8,726	11,111	112,753	18,629	137,668	156,297	269,050
Net underwriting income	3,080	7,966	3,983	3,425	4,850	23,304	1,891	16,406	18,297	41,601
Gain on remeasurement of a former associate						-			-	25,787
Impairment of goodwill						-			-	(3,933)
Net investment income						-			-	24,179
Finance costs						-			-	(2,566)
Share of results of associates						-			-	427
Other income						-			-	6,782
Unallocated general and administrative expenses						-			-	(30,665)
Profit for the year before taxation and Directors' remuneration						23,304			18,297	61,612

21. SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
31 December 2020:	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Total general risk insurance KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Total life and medical insurance KD 000's*	*Total KD 000's*
Revenue:										
Premiums written	10,229	55,117	58,740	28,387	26,826	179,299	22,384	242,754	265,138	444,437
Reinsurance premiums ceded	(7,206)	(3,494)	(52,142)	(19,776)	(17,261)	(99,879)	(5,706)	(146,365)	(152,071)	(251,950)
Net premiums written	3,023	51,623	6,598	8,611	9,565	79,420	16,678	96,389	113,067	192,487
Movement in unearned premiums reserve	(30)	2,855	(543)	(1,571)	(587)	124	116	402	518	642
Movement in life mathematical reserve	-	-	-	-	-	-	(6,032)	(64)	(6,096)	(6,096)
Net premiums earned	2,993	54,478	6,055	7,040	8,978	79,544	10,762	96,727	107,489	187,033
Commission received on ceded reinsurance	2,041	675	5,418	2,813	2,648	13,595	1,142	4,379	5,521	19,116
Policy issuance fees	133	699	320	27	125	1,304	32	1,224	1,256	2,560
Net investment income from designated life and medical insurance	-	-	-	-	-	-	1,954	172	2,126	2,126
Total revenue	5,167	55,852	11,793	9,880	11,751	94,443	13,890	102,502	116,392	210,835
Expenses:										
Claims incurred	928	38,606	3,193	4,442	2,972	50,141	5,514	73,167	78,681	128,822
Commission and discounts	1,149	7,203	3,382	1,556	3,256	16,546	3,416	2,519	5,935	22,481
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	2,622	-	2,622	2,622
General and administrative expenses	1,264	6,783	2,990	1,911	4,719	17,667	1,639	9,649	11,288	28,955
Total expenses	3,341	52,592	9,565	7,909	10,947	84,354	13,191	85,335	98,526	182,880
Net underwriting income	1,826	3,260	2,228	1,971	804	10,089	699	17,167	17,866	27,955
Net investment income						-			-	12,773
Finance costs						-			-	(2,558)
Share of results of associates						-			-	(248)
Other income						-			-	2,680
Unallocated general and administrative expenses						-			-	(16,342)
Profit for the year before taxation and Directors' remuneration						10,089			17,865	24,260

21. SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2021	***General risk Insurance KD 000's***	***Life and medical insurance KD 000's***	***Un-allocated KD 000's***	***Total KD 000's***
Total assets	**988,795**	**149,805**	**217,921**	**1,356,521**
Total liabilities	**742,956**	**126,781**	**169,488**	**1,039,225**

31 December 2020	*General risk Insurance KD 000's*	*Life and medical insurance KD 000's*	*Un-allocated KD 000's*	*Total KD 000's*
Total assets	542,519	132,482	125,708	800,709
Total liabilities	446,943	152,838	55,597	655,378

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

21. SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2021 ***KD 000's***	*2020* *KD 000's*	***2021*** ***KD 000's***	*2020* *KD 000's*	***2021*** ***KD 000's***	*2020* *KD 000's*	***2021*** ***KD 000's***	*2020* *KD 000's*
Segment revenue	**121,029**	116,509	**111,809**	25,679	**77,813**	68,647	**310,651**	210,835
Segment results (net underwriting income)	**13,143**	14,825	**19,379**	4,546	**9,079**	8,584	**41,601**	27,955
Profit for the year attributable to equity holders of the Parent Company	**1,255**	3,633	**34,717**	1,155	**14,259**	11,549	**50,231**	16,337

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2021 ***KD 000's***	*2020* *KD 000's*	***2021*** ***KD 000's***	*2020* *KD 000's*	***2021*** ***KD 000's***	*2020* *KD 000's*	***2021*** ***KD 000's***	*2020* *KD 000's*
Total assets	**472,236**	477,546	**651,743**	93,701	**232,542**	229,462	**1,356,521**	800,709
Total liabilities	**452,457**	444,754	**434,768**	63,524	**152,000**	147,100	**1,039,225**	655,378

22. STATUTORY GUARANTEES

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

	2021 ***KD 000's***	*2020* *KD 000's*
Current accounts and deposits at banks	**23,027**	18,976
Loans secured by life insurance policies	**1,133**	1,101
	24,160	20,076

Statutory guarantees of KD 91,418 thousand (2020: KD 37,379 thousand) are held outside the State of Kuwait as security for the subsidiary companies' activities.

23. CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 68,014 thousand (2020: KD 59,935 thousand).

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

24. COMMITMENTS

The Group does not have future commitments with respect to purchase of financial instruments (2020: Nil).

25. RISK MANAGEMENT

(a) Governance framework

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

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

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

25. RISK MANAGEMENT (continued)

(b) Regulatory framework (continued)

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

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as follows:
  - A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
  - A maximum of 25% may be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies)
  - A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
  - A maximum of 15% should be in a current account with a bank operating in Kuwait.

Subsequent to the reporting date, Law No. 125 of 2019, and its executive by law, and the rules and regulations issued by the Insurance regulatory unit provide the regulatory framework for the insurance industry in Kuwait will be effective, which state that all insurance companies operating in Kuwait are required to follow these rules and regulations.

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

- For the life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Non-life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Life and Non-life Insurance Companies KD 1,000,000 FD under the ministerial name to be retained in Kuwait.
- In addition, all insurance companies to maintain a provision of 20% from the gross premiums written after excluding the reinsurance share.

The Group's Governance, Risk Management and Compliance (G.R.C.) sector is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

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

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

(c) Capital management objectives, policies and approach

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

Capital management objectives

The capital management objectives are:

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

25. RISK MANAGEMENT (continued)

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

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

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

Capital management policies

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

Capital management approach

The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholder's fund.

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

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

(d) Insurance risk

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

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

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

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

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)
Insurance risk is divided into risk of life insurance contracts and risk of non-life insurance contracts as follows:

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

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

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

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

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

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

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

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

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

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

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

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

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

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2021			*2020*		
Type of contract	***Gross liabilities KD 000's***	***Reinsurers' share of liabilities KD 000's***	***Net liabilities KD 000's***	*Gross liabilities KD 000's*	*Reinsurers' share of liabilities KD 000's*	*Net liabilities KD 000's*
Whole life insurance	**-**	**-**	**-**	40	34	6
Term insurance	**47,931**	**16,555**	**31,376**	18,422	2,176	16,246
Pure endowment	**1,352**	**1**	**1,351**	1,438	-	1,438
Preferred global health	**60**	**-**	**60**	62	-	62
FAY	**517**	**258**	**259**	471	235	236
Total life insurance contract	**49,860**	**16,814**	**33,046**	20,433	2,445	17,988
Unitised pensions (Misk individual policies)	**23,115**	**-**	**23,115**	15,056	-	15,056
Total investments contracts	**23,115**	**-**	**23,115**	15,056	-	15,056
Total life insurance and investment contracts	**72,975**	**16,814**	**56,161**	35,489	2,445	33,044
Other life insurance contract liabilities	**208,098**	**61,696**	**146,402**	93,986	42,771	51,215

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

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2021			*2020*		
	Gross liabilities KD 000's	***Reinsurers' share of liabilities KD 000's***	***Net liabilities KD 000's***	*Gross liabilities KD 000's*	*Reinsurers' share of liabilities KD 000's*	*Net liabilities KD 000's*
Kuwait	**1,740**	**253**	**1,487**	2,066	229	1,837
Others	**48,120**	**16,561**	**31,559**	18,366	2,215	16,151
Total	**49,860**	**16,814**	**33,046**	20,432	2,444	17,988

Investment contracts

	2021			*2020*		
	Gross liabilities KD 000's	***Reinsurers' share of liabilities KD 000's***	***Net liabilities KD 000's***	*Gross liabilities KD 000's*	*Reinsurers' share of liabilities KD 000's*	*Net liabilities KD 000's*
Kuwait	**14,817**	**-**	**14,817**	14,621	-	14,621
Others	**8,299**	**-**	**8,299**	434	-	434
Total	**23,115**	**-**	**23,115**	15,056	-	15,056

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

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

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

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

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

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

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Key assumptions (continued)

• Longevity

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

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

• Investment return

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

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

• Expenses

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

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

• Lapse and surrender rates

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

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

• Discount rate

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

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

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

Portfolio assumptions by type of business impacting net liabilities	***Mortality and morbidity rates***		***Investment return***		***Lapse and surrender rates***		***Discount rates***		***Renewal expenses***		***Inflation rate***	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**3%**	3%	N/A	N/A	**3%**	3%	**"5% of AP+1% of SA"**	"5% of AP+1% of SA"	**2%**	2%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	N/A	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Life term assurance:												
Males	**A49/52**	A49/52	**3%**	4%	N/A	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Females	**A49/52-3yr**	A49/52-3yr	**3%**	4%	N/A	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Sensitivities
The analysis below is performed, by an independent third party actuarial with experience and qualifications, for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit if significant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist they are the main reason for the asymmetry of sensitivities.

Life insurance contracts
31 December 2021

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

31 December 2020

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

Investment contracts
31 December 2021

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**(1%)**	**43,000**	**43,000**	**(43,000)**
Expenses	**10%**	**62,000**	**62,000**	**62,000**
Discount rate	**(1%)**	**65,000**	**65,000**	**65,000**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2020

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

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

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

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

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

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

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

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

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

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

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

	2021			*2020*		
Concentration of insurance contract liabilities by type of contract:	***Gross liabilities KD 000's***	***Reinsurer's share of liabilities KD 000's***	***Net liabilities KD 000's***	*Gross liabilities KD 000's*	*Reinsurer's share of liabilities KD 000's*	*Net liabilities KD 000's*
Marine and Aviation	**27,944**	**12,483**	**15,461**	12,521	10,206	2,315
Motor vehicles	**154,293**	**9,337**	**144,956**	58,968	6,343	52,625
Property	**92,658**	**59,897**	**32,761**	46,241	39,537	6,704
Engineering	**141,451**	**117,133**	**24,318**	205,870	193,895	11,975
General Accidents	**57,421**	**34,836**	**22,585**	47,842	34,778	13,064
Total	**473,767**	**233,686**	**240,081**	371,442	284,759	86,683

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

	2021			*2020*		
Geographical concentration of insurance contract liabilities:	***Gross liabilities KD 000's***	***Reinsurer's share of liabilities KD 000's***	***Net liabilities KD 000's***	*Gross liabilities KD 000's*	*Reinsurer's share of liabilities KD 000's*	*Net Liabilities KD 000's*
Kuwait	**144,617**	**122,245**	**22,372**	221,692	198,018	23,674
Others	**329,150**	**111,441**	**217,709**	149,750	86,741	63,009
Total	**473,767**	**233,686**	**240,081**	371,442	284,759	86,683

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Key assumptions

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

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

Sensitivities

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

31 December 2021	***Change in assumption***	***Impact on gross liabilities KD 000's***	***Impact on net liabilities KD 000's***	***Impact on profit KD 000's***
Average claim cost	**±15%**	**3,736**	**1,463**	**1,463**
Average number of claims	**±15%**	**13**	**11**	**206**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**2,491**	**1,343**	**109**

31 December 2020	*Change in assumption*	*Impact on gross liabilities KD 000'S*	*Impact on net liabilities KD 000'S*	*Impact on profit KD 000'S*
Average claim cost	±15%	10,200	4,438	4,438
Average number of claims	±15%	19	16	295
Average claim settlement paid	Reduce from 18 months to 12 months	6,800	3,666	299

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

31 December 2021

	2013 KD 000's	*2014 KD 000's*	*2015 KD 000's*	*2016 KD 000's*	*2017 KD 000's*	*2018 KD 000's*	*2019 KD 000's*	*2020 KD 000's*	*2021 KD 000's*	*Total KD 000's*
At end of accident year	**2,743,689**	**89,027**	**90,713**	**115,767**	**238,320**	**255,471**	**267,597**	**248,275**	**404,342**	
One year later	**649,855**	**115,029**	**107,263**	**126,453**	**247,718**	**417,969**	**277,812**	**260,400**	**-**	
Two years later	**643,844**	**113,349**	**110,122**	**127,040**	**249,881**	**457,919**	**285,666**	**-**	**-**	
Three years later	**635,728**	**116,040**	**110,259**	**129,815**	**251,176**	**392,591**	**-**	**-**	**-**	
Four years later	**644,953**	**116,640**	**110,154**	**127,073**	**252,948**	**-**	**-**	**-**	**-**	
Five years later	**647,596**	**116,231**	**111,355**	**129,249**	**-**	**-**	**-**	**-**	**-**	
Six years later	**645,075**	**115,229**	**112,422**	**-**	**-**	**-**	**-**	**-**	**-**	
Seven years later	**648,113**	**115,564**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Eight years later	**649,006**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Current estimate of cumulative claims incurred	**649,006**	**115,564**	**112,422**	**129,249**	**252,948**	**392,591**	**285,666**	**260,400**	**404,342**	**2,602,188**

25. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2013 KD 000's	*2014 KD 000's*	*2015 KD 000's*	*2016 KD 000's*	*2017 KD 000's*	*2018 KD 000's*	*2019 KD 000's*	*2020 KD 000's*	*2021 KD 000's*	*Total KD 000's*
At end of accident year	**(2,197,465)**	**(56,835)**	**(56,657)**	**(66,992)**	**(157,856)**	**(159,031)**	**(186,463)**	**(166,653)**	**(283,149)**	
One year later	**(592,234)**	**(101,991)**	**(94,952)**	**(108,465)**	**(226,849)**	**(250,709)**	**(250,876)**	**(233,922)**	**-**	
Two years later	**(606,642)**	**(106,696)**	**(99,652)**	**(115,877)**	**(237,903)**	**(274,561)**	**(262,334)**	**-**	**-**	
Three years later	**(614,546)**	**(108,290)**	**(101,702)**	**(120,420)**	**(241,752)**	**(291,129)**	**-**	**-**	**-**	
Four years later	**(617,444)**	**(109,725)**	**(103,124)**	**(122,061)**	**(244,464)**	**-**	**-**	**-**	**-**	
Five years later	**(624,957)**	**(110,696)**	**(104,298)**	**(124,120)**	**-**	**-**	**-**	**-**	**-**	
Six years later	**(627,985)**	**(111,039)**	**(105,112)**	**-**	**-**	**-**	**-**	**-**	**-**	
Seven years later	**(629,442)**	**(112,500)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Eight years later	**(631,125)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Cumulative payment to date	**(631,125)**	**(112,500)**	**(105,112)**	**(124,120)**	**(244,464)**	**(291,129)**	**(262,334)**	**(233,922)**	**(283,149)**	**(2,287,855)**
Gross insurance contract outstanding claims at 31 December 2021	**17,881**	**3,064**	**7,310**	**5,130**	**8,484**	**101,462**	**23,332**	**26,478**	**121,193**	**314,334**
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2021									**121,191**	**121,191**
Total gross insurance outstanding claims provision per consolidated statement of financial position at 31 December 2021	**17,881**	**3,064**	**7,310**	**5,130**	**8,484**	**101,462**	**23,332**	**26,478**	**242,384**	**435,525**

25. RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

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

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

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

	31 December 2021			
Exposure to credit risk by classifying financial assets according to type of insurance	***General*** ***KD 000's***	***Life*** ***KD 000's***	***Unit linked*** ***KD 000's***	***Total*** ***KD 000's***
Investments held to maturity	**50,288**	**933**	**-**	**51,221**
Debt securities (loans)	**2,735**	**4,722**	**2,978**	**10,435**
Loans secured by life insurance policies	**-**	**13**	**486**	**499**
Policyholders' accounts receivable (gross)	**206,270**	**23,136**	**-**	**229,406**
Reinsurers' accounts receivable (gross)	**22,986**	**983**	**-**	**23,969**
Reinsurance recoverable on outstanding claims	**185,798**	**30,840**	**-**	**216,638**
Long term deposits	**60,213**	**14,160**	**-**	**74,373**
Cash and cash equivalents	**225,079**	**6,522**	**-**	**231,601**
Total credit risk exposure	**753,369**	**81,309**	**3,464**	**838,142**

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to type of insurance	31 December 2020			
	General *KD 000's*	*Life* *KD 000's*	*Unit linked* *KD 000's*	*Total* *KD 000's*
Investments held to maturity	37,533	814	-	38,347
Debt securities (loans)	3,240	7,510	4,574	15,324
Loans secured by life insurance policies		2	864	866
Policyholders' accounts receivable (gross)	117,124	18,478	-	135,602
Reinsurers' accounts receivable (gross)	11,690	1,039	-	12,729
Reinsurance recoverable on outstanding claims	250,607	31,809	-	282,416
Long term deposits	30,543	12,439	-	42,982
Cash and cash equivalents	68,905	2,433	-	71,338
Total credit risk exposure	519,642	74,524	5,438	599,604

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2021 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	***AAA KD 000's***	***AA KD 000's***	***A KD 000's***	***BBB KD 000's***	***BB and below KD 000's***	***Not rated KD 000's***	***Total KD 000's***
31 December 2021							
Investments held to maturity	-	-	**11,706**	**31,075**	**7,215**	**1,225**	**51,221**
Debt securities (loans)	-	-	**1,400**	**9,035**	-	-	**10,435**
Loans secured by life insurance policies	-	-	-	-	-	**499**	**499**
Policyholders' accounts receivable (gross)	-	**15,829**	**90,468**	**6,610**	**10,329**	**106,170**	**229,406**
Reinsurers accounts receivable (gross)	**14**	**1,231**	**6,193**	**6,153**	**3,373**	**7,005**	**23,969**
Reinsurance recoverable on outstanding claims	**1,098**	**65,189**	**111,723**	**4,110**	**11,869**	**22,649**	**216,638**
Long term deposits	-	-	**27,888**	**26,676**	**12,361**	**7,448**	**74,373**
Cash and cash equivalents	-	**19**	**69,748**	**95,177**	**50,965**	**15,693**	**231,602**
Total credit risk exposure	**1,112**	**82,268**	**319,126**	**178,836**	**96,112**	**160,688**	**838,142**

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2021	***High grade KD 000's***	***Standard grade KD 000's***	***Past due or impaired KD 000's***	***Total KD 000's***
Investments held to maturity	**1,224**	-	**1**	**1,225**
Loan secured by life insurance policy	**486**	**3**	**10**	**499**
Policyholders' accounts receivable (gross)	**36,594**	**61,596**	**7,980**	**106,170**
Reinsurance accounts receivable (gross)	**1,327**	**5,566**	**112**	**7,005**
Reinsurance recoverable on outstanding claims	**4,141**	**18,508**	-	**22,649**
Long term deposits	**4,267**	**1,781**	**1,400**	**7,448**
Cash and cash equivalents	**14,876**	**779**	**37**	**15,692**
	62,915	**88,233**	**9,540**	**160,688**

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

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

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA* *KD 000's*	*AA* *KD 000's*	*A* *KD 000's*	*BBB* *KD 000's*	*BB and below* *KD 000's*	*Not rated* *KD 000's*	*Total* *KD 000's*
31 December 2020							
Investments held to maturity	-	-	1,607	29,288	7,330	122	38,347
Debt securities (loans)	-	-	7,866	7,458	-	-	15,324
Loans secured by life insurance policies	-	-	-	-	-	866	866
Policyholders' accounts receivable (gross)	-	61,085	8,889	4,236	8,514	52,878	135,602
Reinsurers accounts receivable (gross)	-	610	4,239	1,918	3,019	2,943	12,729
Reinsurance recoverable on outstanding claims	1,124	98,500	162,081	5,954	7,529	7,228	282,416
Long term deposits	-	-	19,829	7,121	4,049	11,983	42,982
Cash and cash equivalents	-	393	27,888	13,476	21,224	8,357	71,338
Total credit risk exposure	1,124	160,588	232,399	69,451	51,665	84,377	599,604

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2020	*High grade* *KD 000'S*	*Standard grade* *KD 000'S*	*Past due or impaired* *KD 000'S*	*Total* *KD 000'S*
Investments held to maturity	121	-	1	122
Loan secured by life insurance policy	864	2	-	866
Policyholders' accounts receivable (gross)	41,316	5,184	6,378	52,878
Reinsurance accounts receivable (gross)	2,291	652	-	2,943
Reinsurance recoverable on outstanding claims	3,647	3,581	-	7,228
Long term deposits	10,576	1,407	-	11,983
Cash and cash equivalents	8,321	36	-	8,357
	67,136	10,862	6,379	84,377

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

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

	Up to 1 month KD 000's	***Within 1-3 months KD 000's***	***Within 3-12 months KD 000's***	***More than 1 year KD 000's***	***Total KD 000's***
31 December 2021:					
Policyholders' accounts receivable (net)	**20,979**	**32,903**	**142,419**	**12,737**	**209,038**
Reinsurance receivables (net)	**1,208**	**3,856**	**11,672**	**1,918**	**18,654**
Total	**22,187**	**36,759**	**154,091**	**14,655**	**227,692**

	Up to 1 month KD 000's	*Within 1-3 months KD 000's*	*Within 3-12 months KD 000's*	*More than 1 year KD 000's*	*Total KD 000's*
31 December 2020:					
Policyholders' accounts receivable (net)	17,114	64,195	36,201	4,773	122,283
Reinsurance receivables (net)	1,636	1,369	4,069	2,865	9,939
Total	18,750	65,564	40,270	7,638	132,222

(2) Liquidity risk

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

The table below summarises the maturity of the financial liabilities of the Group based on remaining undiscounted contractual obligations for 31 December. As the Group does not have any interest-bearing liabilities (except for long term loans), the figures below agree directly to the consolidated statement of financial position.

	Up to 1 month KD 000's	***Within 1-3 months KD 000's***	***Within 3-12 months KD 000's***	***Within 1-5 years KD 000's***	***Within 5-10 years KD 000's***	***Total KD 000's***
31 December 2021						
Premiums received in advance	**-**	**416**	**2,410**	**390**	**-**	**3,216**
Insurance payable	**26,097**	**30,566**	**81,910**	**12,956**	**1,205**	**152,734**
Lease liability	**36**	**22**	**698**	**559**	**-**	**1,315**
Other liabilities	**5,378**	**37,431**	**50,751**	**39,375**	**14,259**	**147,194**
Long term loans	**-**	**-**	**-**	**71,728**	**11,139**	**82,867**
	31,511	**68,435**	**135,769**	**125,008**	**26,603**	**387,326**

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2020	*Up to 1 month KD 000's*	*Within 1-3 months KD 000's*	*Within 3-12 months KD 000's*	*Within 1-5 years KD 000's*	*Within 5-10 years KD 000's*	*Total KD 000's*
Premiums received in advance	-	1,670	1,012	509	-	3,191
Insurance payable	32,138	22,414	56,239	14,502	1,907	127,200
Lease liabilities	36	22	693	555	-	1,306
Other liabilities	1,963	26,573	13,550	19,747	498	62,331
	34,137	50,679	71,494	35,313	2,405	194,028

(3) Market risk

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

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

The Group has developed its policies and procedures to enhance the Group's mitigation of market risk.

(i) Currency risk

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

The Group's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US dollar, Bahraini dinar, Egyptian pound, Jordanian dinar, Euro, and Pound sterling.

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

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

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2021: **ASSETS**	***Local currency KD 000's equivalent***	***USD KD 000's equivalent***	***BD KD 000's equivalent***	***EGP KD 000's equivalent***	***JD KD 000's equivalent***	***Euro KD 000's equivalent***	***GBP KD 000's equivalent***	***SAR KD 000's equivalent***	***Other KD 000's equivalent***	***Total KD 000's***
Property and equipment	**6,119**	**-**	**12,921**	**14,363**	**3,278**	**-**	**-**	**2,557**	**8,259**	**47,497**
Right-of-use assets	**258**	**-**	**877**	**-**	**112**	**-**	**-**	**-**	**-**	**1,247**
Investments in associates	**17,349**	**-**	**243**	**3,039**	**-**	**-**	**-**	**11,270**	**11,396**	**43,297**
Goodwill	**-**	**-**	**35,501**	**477**	**5,292**	**-**	**-**	**-**	**2,777**	**44,047**
Investments held to maturity	**997**	**3,503**	**962**	**23,320**	**5,072**	**-**	**-**	**9,660**	**7,707**	**51,221**
Debt securities (loans)	**1,654**	**8,781**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,435**
Investments available for sale	**9,447**	**151,832**	**11,551**	**159**	**2,898**	**-**	**-**	**41,301**	**44,561**	**261,749**
Investments carried at fair value through profit or loss	**3,989**	**13,263**	**1,190**	**23,596**	**2,274**	**-**	**-**	**-**	**4,157**	**48,469**
Loans secured by life insurance policies	**486**	**-**	**-**	**-**	**10**	**-**	**-**	**-**	**3**	**499**
Premium and insurance balances receivable	**114,501**	**19,726**	**42,385**	**7,434**	**12,923**	**1,811**	**64**	**24,137**	**4,711**	**227,692**
Reinsurance recoverable on outstanding claims	**61,911**	**87,637**	**31,855**	**5,402**	**3,916**	**7,911**	**41**	**14,090**	**3,875**	**216,638**
Investment properties	**425**	**605**	**3,050**	**2,679**	**69**	**-**	**-**	**-**	**3,665**	**10,493**
Other assets	**13,067**	**365**	**31,181**	**5,626**	**9,201**	**-**	**31**	**21,808**	**5,984**	**87,263**
Cash and cash equivalents and time deposits	**56,624**	**24,405**	**33,716**	**6,848**	**25,963**	**1,313**	**46**	**81,016**	**76,043**	**305,974**
Total assets	**286,827**	**310,117**	**205,432**	**92,943**	**71,008**	**11,035**	**182**	**205,839**	**173,138**	**1,356,521**

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2021 **LIABILITIES**	***Local currency KD 000's equivalent***	***USD KD 000's equivalent***	***BD KD 000's equivalent***	***EGP KD 000's equivalent***	***JD KD 000's equivalent***	***Euro KD 000's equivalent***	***GBP KD 000's equivalent***	***SAR KD 000's equivalent***	***Other KD 000's equivalent***	***Total KD 000's***
Liabilities arising from insurance contracts										
Outstanding claims reserve (gross)	**184,901**	**8,159**	**107,714**	**9,398**	**16,171**	**8,362**	**132**	**82,185**	**15,909**	**432,931**
Unearned premiums reserve (net)	**19,804**	**-**	**77,704**	**8,010**	**7,997**		**-**	**39,568**	**14,513**	**167,596**
Life mathematical reserve (net)	**16,289**	**-**	**20,108**	**19,556**	**175**		**-**	**-**	**33**	**56,161**
Incurred but not reported reserve (net)	**-**	**-**	**1,653**				**-**	**-**	**941**	**2,594**
Total liabilities arising from insurance contracts	**220,994**	**8,159**	**207,179**	**36,964**	**24,343**	**8,362**	**132**	**121,753**	**31,396**	**659,282**
Premiums received in advance	**2,451**	**-**	**757**	**-**	**-**	**-**	**-**	**-**	**8**	**3,216**
Insurance payable	**28,842**	**50,480**	**49,650**	**792**	**13,622**	**1,115**	**-**	**5,549**	**2,684**	**152,734**
Other liabilities	**56,769**	**1,493**	**23,228**	**10,029**	**4,334**	**12**	**1**	**47,520**	**3,808**	**147,194**
Lease liabilities	**264**	**-**	**951**	**-**	**100**	**-**	**-**	**-**	**-**	**1,315**
Long term loans	**25,000**	**50,484**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**75,484**
Total liabilities	**334,320**	**110,616**	**281,765**	**47,785**	**42,399**	**9,489**	**133**	**174,822**	**37,896**	**1,039,225**

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2020: ASSETS	*Local currency KD 000's equivalent*	*USD KD 000's equivalent*	*BD KD 000's equivalent*	*EGP KD 000's equivalent*	*JD KD 000's equivalent*	*Euro KD 000's equivalent*	*GBP KD 000's equivalent*	*Other KD 000's equivalent*	*Total KD 000's*
Property and equipment	23,004	2,866	2,929	5,216	2,162	-	-	771	36,948
Right-of-use assets	779	-	159	62	150	-	-	126	1,276
Investments in associates	18,305	-	210	2,620		-	-	22,316	43,451
Goodwill	-	-	2,626	476	5,292	-	-	6,710	15,104
Investments held to maturity	1,000	10,334	483	21,433	5,097	-	-	-	38,347
Debt securities (loans)	6,500	8,824	-	-	-	-	-	-	15,324
Investments available for sale	6,340	16,125	3,227	142	2,590	-	-	20,598	49,022
Investments carried at fair value through profit or loss	1,621	7,919	-	16,757	1,563	-	-	4,116	31,976
Loans secured by life insurance policies	864	-	-	-	-	-	-	2	866
Premium and insurance balances receivable	77,058	25,477	8,126	4,674	12,630	1,711	55	2,491	132,222
Reinsurance recoverable on outstanding claims	125,965	115,252	13,883	6,219	4,410	5,298	52	11,337	282,416
Investment properties	4,520	1,522	1,270	837	70	-	-	39	8,258
Other assets	16,542	2,078	2,692	2,471	4,958	-	-	2,438	31,179
Cash and cash equivalents and time deposits	35,390	18,157	21,284	7,430	23,797	1,192	328	6,742	114,320
Total assets	317,888	208,554	56,889	68,337	62,719	8,201	435	77,686	800,709

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(4) Market risk (continued)

(i) Currency risk (continued)

31 December 2020 LIABILITIES	*Local currency KD 000's equivalent*	*USD KD 000's equivalent*	*BD KD 000's equivalent*	*EGP KD 000's equivalent*	*JD KD 000's equivalent*	*Euro KD 000's equivalent*	*GBP KD 000's equivalent*	*Other KD 000's equivalent*	*Total KD 000's*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	275,275	18,417	26,926	9,570	15,097	5,596	161	20,177	371,219
Unearned premiums reserve (net)	18,820	3,701	9,599	5,914	7,124	-	-	10,996	56,154
Life mathematical reserve (net)	7,284	5,105	2,019	14,521	-	-	-	4,115	33,044
Incurred but not reported reserve (net)	-	933	-	-	-	-	-	-	933
Total liabilities arising from insurance contracts	301,379	28,156	38,544	30,005	22,221	5,596	161	35,288	461,350
Premiums received in advance	2,882	-	300	-	-	-	-	9	3,191
Insurance payable	41,339	52,358	17,803	991	12,624	849	(13)	1,249	127,200
Other liabilities	45,895	4,189	1,535	7,206	2,366	72	3	1,065	62,331
Lease liabilities	263	-	944	-	99	-	-	-	1,306
Total liabilities	391,758	84,703	59,126	38,202	37,310	6,517	151	37,611	655,378

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

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

		2021		*2020*	
	Change in variables	***Impact on profit KD 000's***	***Impact on equity KD 000's***	*Impact on profit KD 000's*	*Impact on equity KD 000's*
USD	**±5%**	**2,383**	**7,592**	5,386	806
BD	**±5%**	**4,394**	**578**	273	161
EGP	**±5%**	**2,250**	**8**	1,500	7
JD	**±5%**	**1,286**	**145**	1,141	130
SAR	**±5%**	**514**	**3**	-	-

(ii) Interest rate risk

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

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

The Group has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	2021		*2020*	
Currency	***Change in variables***	***Impact on profit before tax KD 000's***	*Change in variables*	*Impact on profit before tax KD 000's*
KD	**±50 bps**	**47**	±50 bps	136
USD	**±50 bps**	**132**	±50 bps	144
BD	**±50 bps**	**58**	±50 bps	60
Others	**±50 bps**	**474**	±50 bps	283

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

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk

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

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

The equity price risk sensitivity is determined on the following market indices:

	2021	*2020*
	%	*%*
Kuwait market	**8%**	2%
Rest of GCC market	**93%**	(5%)
MENA	**13%**	(8%)
Other international markets	**17%**	14%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2021 and 2020. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		***Equity***	
	2021	*2020*	***2021***	*2020*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Investment available for sale	**-**	-	**7,118**	663
Investment carried at fair value through profit or loss	**908**	(290)	**-**	-

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

31 December 2021	***GCC***	***MENA***	***Europe***	***Total***
	KD 000's	***KD 000's***	***KD 000's***	***KD 000's***
Investments available for sale	**17,552**	**3,188**	**4,914**	**25,654**
Investments carried at fair value through profit or loss	**1,320**	**5,838**	**-**	**7,158**
	18,872	**9,026**	**4,914**	**32,812**

25. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2020	*GCC KD 000's*	*MENA KD 000's*	*Europe KD 000's*	*Total KD 000's*
Investments available for sale	5,867	2,874	6,264	15,005
Investments carried at fair value through profit or loss	275	3,887	-	4,162
	6,142	6,761	6,264	19,167

26. RELATED PARTY TRANSACTIONS

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

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

	2021		*2020*	
	Premiums KD 000's	***Claims KD 000's***	*Premiums KD 000's*	*Claims KD 000's*
Directors and key management personnel	**232**	**33**	209	23
Other related parties	**3,963**	**1,615**	4,517	1,287
	4,195	**1,648**	4,726	1,310

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

	2021		*2020*	
	Amounts owed by related parties KD 000's	***Amounts owed to related parties KD 000's***	*Amounts owed by related Parties KD 000's*	*Amounts owed to related parties KD 000's*
Directors and key management personnel	**375**	**16**	56	2
Other related parties	**1,234**	**923**	1,515	543
	1,609	**939**	1,571	545

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

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 30,637 thousand (2020: KD 6,550 thousand). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 1,511 thousand (2020: KD 4,821 thousand).

26 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2021 ***KD 000's***	*2020* *KD 000's*
Salaries and other short-term benefits	**661**	600
Employees' end of service benefits	**330**	248
	991	848

27. SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

Name of the company	*Percentage of ownership*		*Country of incorporation*	*Principal activity*
	2021	*2020*		
Directly held:				
Gulf Insurance and Reinsurance Company K.S.C. (Closed) (GIRI)	**99.80%**	99.80%	Kuwait	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	**92.69%**	92.69%	Lebanon	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	**99.00%**	99.00%	Egypt	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	**54.35%**	54.35%	Syria	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C. (BKIC)	**56.12%**	56.12%	Bahrain	General risk insurance
Arab Orient Insurance Company J.S.C.	**89.98%**	90.44%	Jordan	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	**61.31%**	61.31%	Egypt	Life Takaful insurance
Dar Al-Salam Insurance Company	**79.87%**	79.87%	Iraq	General risk & life insurance
L'Algerienne Des Assurance (2a)	**51.00%**	51.00%	Algeria	General risk insurance
Gulf Sigorta A.S.	**99.22%**	99.22%	Turkey	General risk insurance
AXA Insurance Gulf B.S.C.C (AXA Gulf)	**100%**	-	Bahrain	Life and medical insurance and General risk
Held through GIRI				
Gulf Takaful Insurance Company K.S.C.C.	**66.63%**	-	Kuwait	Takaful insurance
Held through BKIC				
Takaful International Company	**81.94%**	81.94%	Bahrain	Takaful insurance
Held through AXA Gulf				
AXA Cooperative Insurance Company- Saudi Joint Stock Company	**50%**	-	Saudi Arabia	Cooperative Insurance operations

27. SUBSIDIARIES COMPANIES (continued)

Material partly owned subsidiary:
The Group has concluded that Bahrain Kuwaiti Insurance Company B.S.C. ("BKIC") and AXA Cooperative Insurance Company- Saudi Joint Stock Company are the only subsidiaries with non-controlling interests that are material to the consolidated financial statements. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2021	*2020*
	KD 000's	*KD 000's*
Bahrain Kuwaiti Insurance Company B.S.C.	**16,675**	16,275
AXA Cooperative Insurance Company- Saudi Joint Stock Company (AXA KSA)	**37,633**	-

Profit allocated to material non-controlling interests:

	2021	*2020*
	KD 000's	*KD 000's*
Bahrain Kuwaiti Insurance Company B.S.C.	**1,723**	1,462
AXA Cooperative Insurance Company- Saudi Joint Stock Company (AXA KSA)	**1,948**	-

Summarised financial information of these subsidiaries is provided below:

	2021		*2020*	
	BKIC	***AXA KSA***	*BKIC*	*AXA KSA*
	KD 000's	***KD 000's***	*KD 000's*	*KD 000's*
Statement of income				
Income	**35,867**	**124,468**	31,136	-
Expenses	**32,114**	**89,302**	25,497	-
Profit for the year	**3,753**	**35,166**	5,639	-
Total comprehensive income	**2,854**	**34,462**	5,639	-
Statement of financial position				
Total assets	**165,656**	**250,088**	163,073	-
Total liabilities	**(122,175)**	**(174,822)**	(128,445)	-
Total equity	**43,481**	**75,266**	34,628	-

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

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

Takaful business in the Group consists of:
- Takaful Insurance Unit established by the Parent Company,
- Egypt Life Takaful Insurance Company (S.A.E).
- Gulf Takaful Insurance Company K.S.C.C.
- Takaful International Company
- AXA Cooperative Insurance Company- Saudi Joint Stock Company.

Policyholders' result by line of business:

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

For the year ended 31 December 2021:

	Marine and aviation KD 000's	***Property KD 000's***	***Motor KD 000's***	***Engineering KD 000's***	***General accidents KD 000's***	***Life and medical KD 000's***	***Total KD 000's***
Premium written	**1,206**	**4,277**	**22,091**	**2,205**	**4,724**	**43,917**	**78,420**
Surplus (deficit) from insurance operations	790	2,161	(941)	803	2,703	(355)	5,161

For the year ended 31 December 2020:

	Marine and aviation KD 000's	*Property KD 000's*	*Motor KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Life and medical KD 000's*	*Total KD 000's*
Premium written	408	2,707	7,266	1,108	2,323	24,611	38,423
(Deficit) surplus from insurance operations	(4)	155	210	35	71	818	1,285

	2021 KD 000's	*2020 KD 000's*
Qard Hassan (Note 13)	**22,788**	-
Amounts due to policyholders (Note 18)	**3,164**	2,663

29. FAIR VALUE MEASUREMENT

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

			Fair value measurement using		
31 December 2021	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		KD 000's	***KD 000's***	***KD 000's***	***KD 000's***
Investments available for sale (AFS)					
Quoted equity securities	31 December 2021	**25,654**	25,654	-	-
Unquoted equity securities	31 December 2021	**8,242**	-	18	8,224
Quoted managed funds	31 December 2021	**5,906**	5,906	-	-
Quoted bonds	31 December 2021	**221,298**	221,298	-	-
Unquoted managed funds	31 December 2021	**649**	-	571	78
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2021	**7,161**	7,158	3	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2021	**41,308**	41,308	-	-
Property and equipment					
Land	31 December 2021	**18,166**	-	18,166	-
Buildings	31 December 2021	**23,031**	-	23,031	-
Investment properties	31 December 2021	**10,493**	-	10,493	-
		361,908	**301,324**	**52,282**	**8,302**

			Fair value measurement using		
31 December 2020	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Investments available for sale:					
Quoted equity securities	31 December 2020	15,005	15,005	-	-
Unquoted equity securities	31 December 2020	5,974	-	18	5,956
Quoted managed funds	31 December 2020	207	207	-	-
Quoted bonds	31 December 2020	27,465	27,465	-	-
Unquoted managed funds	31 December 2020	371	-	351	20
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2020	4,162	4,162	-	-
Designated upon initial recognition:					-
Managed funds of quoted securities	31 December 2020	27,814	27,814	-	
Property and equipment					
Land	31 December 2020	16,117	-	16,117	-
Buildings	31 December 2020	17,860	-	17,860	-
Investment properties	31 December 2020	8,258	-	8,258	-
		123,233	74,653	42,604	5,976

29. FAIR VALUE MEASUREMENT (continued)

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

	At 1 January 2021 KD 000's	***Arising on acquisition of subsidiaries KD 000's***	***Loss recorded in the consolidated statement of income KD 000's***	***Loss recorded in the consolidated statement of comprehensive income KD 000's***	***Net disposals and purchases KD 000's***	***At 31 December 2021 KD 000's***
AFS:						
Unquoted equity securities	**5,956**	**2,567**	**-**	**(297)**	**(2)**	**8,224**
Unquoted managed funds	**20**	**105**	**-**	**-**	**(47)**	**78**
	5,976	**2,672**	**-**	**(297)**	**(49)**	**8,302**

	At 1 January 2020 KD 000's	*Arising on acquisition of subsidiaries KD 000's*	*Loss recorded in the consolidated statement of income KD 000's*	*Loss recorded in the consolidated statement of comprehensive income KD 000's*	*Net purchases and disposals KD 000's*	*At 31 December 2020 KD 000's*
AFS:						
Unquoted equity securities	5,632	-	(809)	(175)	1,308	5,956
Unquoted managed funds	22	-	-	(2)	-	20
	5,654	-	(809)	(177)	1,308	5,976

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

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

30. CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020. The Group monitors its capital at the Group level and at each of its subsidiaries.

The Group monitors capital using a gearing ratio "Financial Leverage Ratio", which is net debt divided by total capital plus net debt. The Group includes within net debt, credit facilities granted from banks (such as loans and bank overdrafts) and debt securities issued (if exist). Capital represents equity after excluding Non-controlling interest.

30. CAPITAL MANAGEMENT (continued)

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

	2021	*2020*
	KD 000's	*KD 000's*
Credit facilities:		
Long-term loans	**75,484**	-
Net debt	**75,484**	-
Equity (excluding non-controlling interest)	**190,825**	117,403
Total capital and net debt	**266,309**	117,403
Gearing ratio	**28.34%**	0%

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

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

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

31. COVID-19 IMPACT

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

Recoverability of receivables
The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption. Based on the management, the Group has not identified a material impact to the recoverability of receivables for the year ended 31 December 2021.

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

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

Based on the management, the Group has not identified a material impact to the fair values of financial assets and liabilities for the year ended 31 December 2021 except for what is disclosed in the consolidated financial statements under financial assets available for sale.

Outstanding claims
The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the year ended 31 December 2021. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

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